

2023

Climate Action Report

Climate-related Financial Disclosure

Leading with Low Carbon,
Fostering Ongoing Business Progress

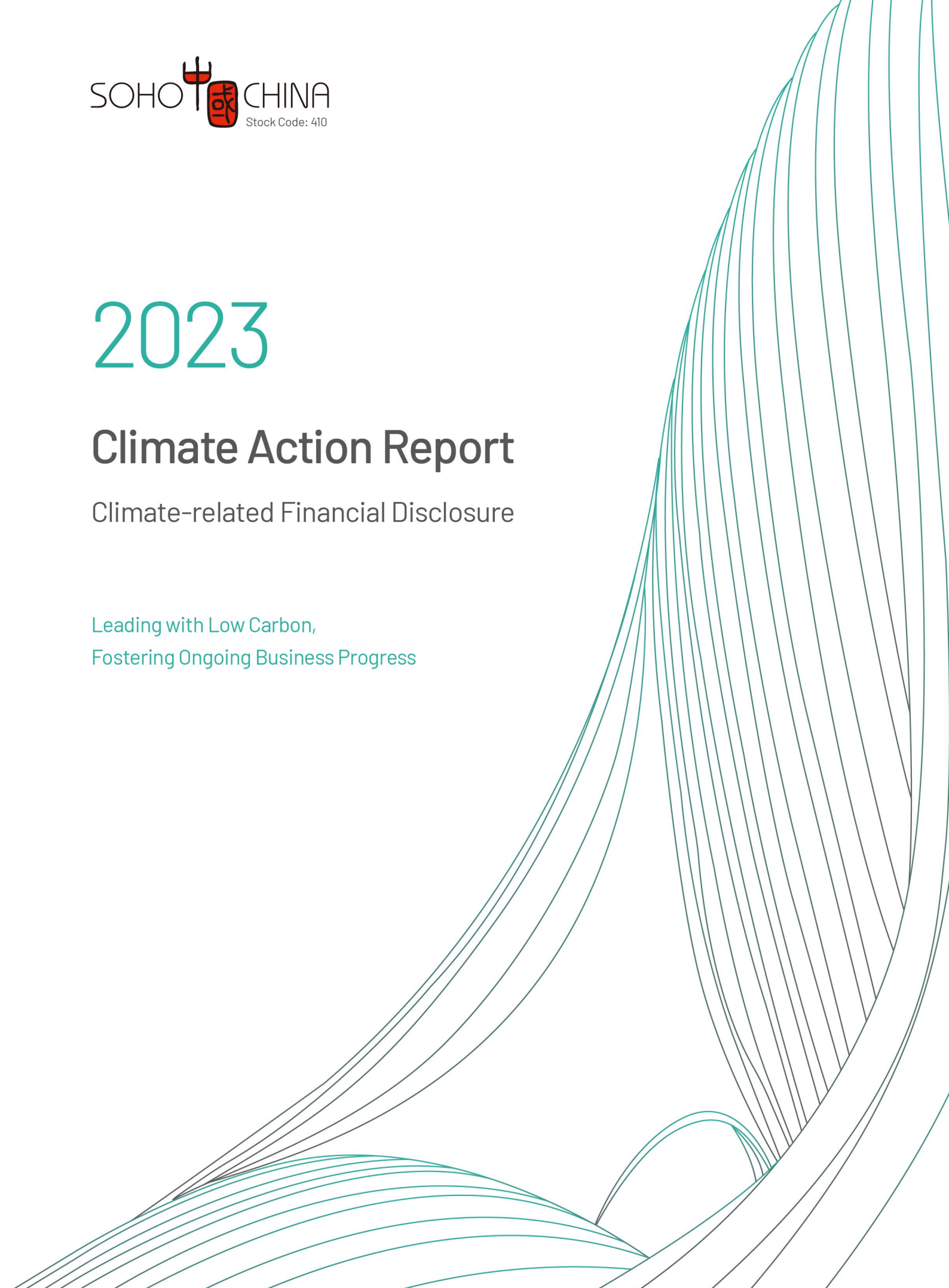


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Message from Chairman of the Board

Climate change, specifically global warming, poses a significant and pervasive challenge to humanity. Our planet is an intricately interconnected interdependence, and each country, company, or individual represents an integral part. We are achieving the target set by The Paris Agreement: “to limit the increase in the global average temperature in this century to well below 2°C, while seeking further to limit the temperature increase to 1.5°C”. It requires every entity to carry its own set of responsibilities.

SOHO China has consistently prioritized environmental and climate issues. As a leading office premises operator in China, SOHO China has developed 5 million square meters of Grade A office space and is an important player in the urban system's climate change action. Our green development strategy, initiated as early as 2009, and the opening of the Building Energy Efficiency Center in 2013 underscore our strong dedication to green operation and sustainable practices over 30 years of real estate development. Notably, the completion of the Yang Zheng Library in April 2023 marked as the first zero-carbon library in China.

It signifies the inaugural release of the Climate Action Report by SOHO China related to Task Force on Climate-related Financial Disclosure (TCFD). In 2023, SOHO China officially submitted a letter of commitment and emissions reduction targets to the Science Based Targets initiative (SBTi). We have pledged to reduce absolute emissions by 42% from Scope 1, Scope 2, and Scope 3 which is generated by the most relevant value chains of businesses in 2030 compared to 2021. To fulfill this commitment, we have taken several measures:

Primarily, we enhanced the transparency of our climate-related information in alignment with international standards. In response to the expectations of investors and other stakeholders, we have integrated a climate-related financial disclosure framework and associated requirements into our operations in 2023. Moreover, in June 2023, we officially pledged our support to the Task Force on Climate-related Financial Disclosure (TCFD) to spearhead carbon neutrality and carbon peaking within the industry through our specialized initiatives and influence. Additionally, we have seamlessly integrated climate issues into our operations and culture by establishing a comprehensive management loop encompassing "governance - strategy - risk management - indicators and targets". Our inaugural Climate-related Financial Disclosure report not only bolsters transparency in this area but also actively addresses capital market concerns.

Secondly, we instilled a bottom-line approach to address climate change proactively. In anticipation of potential construction damage due to extreme weather conditions such as storms, floods, fires, and extreme heat, as well as the policy and regulatory pressures associated with

the trend of decarbonization, SOHO China has diligently built and enhanced its ESG governance framework and ESG risk management mechanism. We persist in fortifying the entirety of the asset operation management process and identifying likely climate risks and opportunities across the entire value chain. Moreover, during 2023, the Company undertook climate scenario analyses for the first time for 24 self-owned and managed projects to comprehensively evaluate and tackle physical and transition risks and assess their financial impact. We develop climate mitigation and adaptation strategies to leverage opportunities, generate more excellent climate change-related value, and ensure the business's long-term competitive advantage.

Thirdly, we are dedicated to establishing a comprehensive ecosystem for deep green leasing and low-carbon energy utilization. With a concentration on enhancing property management, we forge close partnerships with tenants and suppliers to elevate the entire value chain. By concentrating on critical indicators such as advancements in green leasing and tenant incentives and continuously enhancing environmental performance in resource efficiency, building energy efficiency, and emission reduction, we are strategically charting a path toward low-carbon transformation and collaboratively fostering a more eco-friendly leasing and energy consumption environment.

Amid a global economy still grappling with the adverse effects of the COVID-19 pandemic and a subdued office leasing market, SOHO China confronts the challenge of adapting to evolving climate regulations and societal shifts while also reconfiguring its business model to evade or mitigate the threats posed by climate change within this wave of carbon neutrality and carbon peaking. However, within these challenges lie opportunities for a new phase of development. Firmly, we believe that at this critical juncture, we can contribute to the planet's future through collective endeavors while sustaining our growth.

Chairman of the Board, SOHO China

Xu Jin

Key Data: SOHO China Climate Action

Low Carbon Targets

Set SBTi Near-Term Target and commit to reduce absolute emissions in Scopes 1, 2, and 3 GHG emissions by **42%** by 2030 compared to 2021 GHG emissions

Environmental Stewardship

Set environmental stewardship goal on energy saving, water saving and waste reduction, and overachieved its environmental stewardship goal for **3** consecutive years¹

Green Development

Eight projects received the LEED Gold Certification, one project received the LEED Silver Certification. The certified area totals 2.18 million square meters, accounting for **44%** of the total development area

Green Leasing

100% of new customers signed the Green Leasing Advocacy Contract in 2023, with **601** contracts in total

Green Electricity

Purchased and consumed **2.30** million kWh of green electricity in 2023

Energy Efficiency Demonstration

SOHO China Foundation has invested RMB20 million to build China's first zero-carbon library, Yang Zheng Library. In 2023, the library has generated

53,232 kWh of electricity

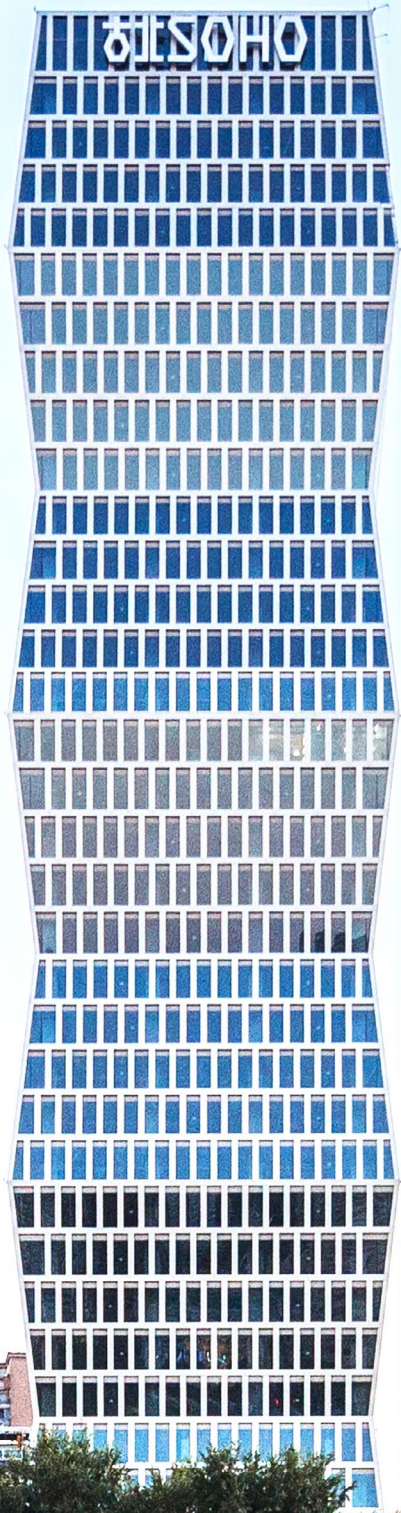
and has curtailed carbon emissions by

30,928 kg

equivalent to the environmental benefit of planting

719 trees

effectively achieving carbon-negative operation



¹ See SOHO China's Environmental, Social, and Governance Report 2023 for more progress on environmental stewardship

About Us

Founded in 1995 by Mr. Pan Shiyi and Ms. Pan Zhang Xin Marita, SOHO China focuses on developing and holding high-profile branded commercial properties in Beijing and Shanghai. The Company rolled out high-quality, innovative products in prime locations and translated the innovative designs into iconic real estate which possesses strong appeal to property investors and the local businesses and customer bases. SOHO China's properties have already become landmark buildings in the city's modern skyline. As the largest prime office developer in Beijing and Shanghai, SOHO China developed commercial property of 5 million square meters. SOHO Property Management continues SOHO China's relentless pursuit of innovation and quality, and undertakes the property management work of SOHO China's development projects. It manages 24 projects, covering an area of more than 4 million square meters, involving various forms of business such as office, commercial, hotel, apartment, villa and club, including self-owned property leasing assets of more than 1.2 million square meters.

On October 8, 2007, SOHO China was successfully listed on The Stock Exchange of Hong Kong (Stock Code: 410), raising proceeds of USD1.9 billion. It has the distinction of being Asia's largest commercial real estate IPO. SOHO China was also named as one of the "Most Admired Companies" in China by FORTUNE (China edition) Magazine for six times since 2006.

Highlights of Climate Change Action Achievements

Green Development

Since 2009, all the projects undertaken by SOHO China have been designed and built according to the US LEED certification standards. As at the end of 2023, up to nine of SOHO China's projects have been certificated by the LEED/Green Building Label: seven received the LEED Gold Certification, one received the LEED Silver Certification, and the remaining one received the dual-certification of LEED Gold and Two-star Green Building Design Label. The certificated area total of 2.18 million square meters, accounting for 44% of the total development area and 52.8% of the total construction area under our operation and management.

The certificated area totals

2.18 million square meters



Green Operation

In 2013, SOHO China established its energy conservation center and built an energy management platform to monitor and analyze energy consumption, upgrade inefficient equipment, and execute management rules. As such, green operations were ensured and energy consumption was reduced. At the moment, SOHO China has realized 100% platform-based operation and management for all its projects. In 2023, our 24 projects saved 80 million kWh of electricity and resulted in reduction rates of 20%, which is equivalent to reducing 68,084 tonnes² of carbon emissions. From 2021 to 2023, SOHO China have saved 331 million kWh, exceeding our five-year (2021-2025) environmental stewardship goal.

In May 2021, Galaxy SOHO, Wangjing SOHO Tower 3, Guanghualu SOHO II, and SOHO Tianshan Plaza received the “Certificate of Green Building Label (China Two-Star)” for operational excellence, Leeza SOHO received "Certificate of Green Building Label(China Two-Star)" in January 2024. The green operational construction area of SOHO China reached 1 million square meters, accounting for 24.2% of the total area under operation and management. The green building evaluation system aims to maximize energy, land, material and water conservation throughout the life cycle of buildings, and ensure the indoor environment, construction and operation quality reach high standards. At present, it has become the mainstream green building certification system in China. The same high standards manage all SOHO China's projects. The certification of these five projects symbolized the industry's recognition of our successful management and excellent performance.

Total energy saved in 2023

80 million kWh

Energy saving rate in 2023

20%

Green Space

SOHO China, as always, implements the sustainability policy and fully implants the concept of green, low-carbon and healthy development into the life cycle of architectural design, construction and operation management. In 2023, eight property management projects under SOHO China won the

WELL HSR granted by IWBI, which was a new milestone in excellence after SOHO China took on the road to sustainability and green building certification, marking the iteratively higher requirements for high-quality operation.



Gubei SOHO



Leeza SOHO



SOHO Tianshan Plaza



Wangjing SOHO



Bund SOHO



Guanghualu SOHO II



SOHO Fuxing Plaza



Qianmen Avenue

WELL HSR Certificate



² The emission calculation coefcients refer to the Average Carbon Dioxide Emission Factor of China's Regional Power Network in 2011 and 2012 issued by the National Development and Reform Commission. Carbon Dioxide Emission Factor of Power Network in East China area is 0.7035 kgCO₂/kWh. Carbon Dioxide Emission Factor of Power Network in North China area is 0.8843 kgCO₂/kWh.

Zero Carbon Pioneer

In 2021, SOHO China launched the “Carbon Neutrality” Innovation Benchmarking Project. It prepared to build China’s first Zero Carbon Library, Yang Zheng Library being model building, as part of its efforts to meet the national “Dual Carbon” goals. Located in Shizui Village, Maiji District in Tianshui City, the library covers an area of about 1,040 square meters, and the total construction area is 800 square meters. With an investment of RMB20 million, the project is designed and built with the highest energy efficiency standards. We use industry-leading architectural technologies, including passive doors & windows, photovoltaic panels, high-efficiency air-conditioning, heat recovery in HVAC systems, rainwater harvesting, and intelligent control systems, being is a template for energy conservation and carbon reduction efforts. It received certification as a zero-energy building during the design stage.

In 2022, SOHO China used the newly builded Yang Zheng Library as a pilot innovation project, and established a zero-carbon operation platform (ZCOP) to transform from energy management to zero-carbon management. That move is the commitment to zero-carbon or carbon-negative operation and amasses practical experience for the future layout of zero-carbon operation management in buildings. Apart from energy management, the platform adds renewable energy micro-grid system management to maximize the Library’s energy efficiency and even achieve zero energy consumption. At the same time, the library can reuse energy storage through photovoltaic power generation and wind power generation to truly realise carbon-neutral operation. The Yang Zheng Library was completed and secured many architectural certifications at home and abroad, including the Certified Zero Energy Building granted by the China Association of Building Energy Efficiency, the WELL Health-Safety Rating (WELL HSR) by the International WELL Building Institute (IWBI), and LEED Platinum certification ,etc..

In April 2023, the Yang Zheng Library opened officially to provide a cultural and recreation venue for residents and serve the teachers and students of kindergartens, primary and secondary schools, and colleges and universities. In 2023, the Yang Zheng Library has generated 53,232 kWh of electricity while reducing carbon emissions by 30,928 kg, equivalent to planting 719 trees, achieving a negative-emissions operation.



Reduced carbon emissions in 2023

30,928_{kg}

Equivalent to planting

719_{trees}

Breakthrough Energy Coalition

In 2016, SOHO China joined the Breakthrough Energy Coalition established by Bill Gates and business leaders from 28 top internet companies and investment groups. Breakthrough Energy commits to improving the production and storage of electric energy that will lead the world to net-zero emissions. SOHO China agrees to continue to invest a USD20 million commitment to the Coalition, and by 31 December 2023, it has contributed more than 90% of the promised capital.

Science-Based Targets

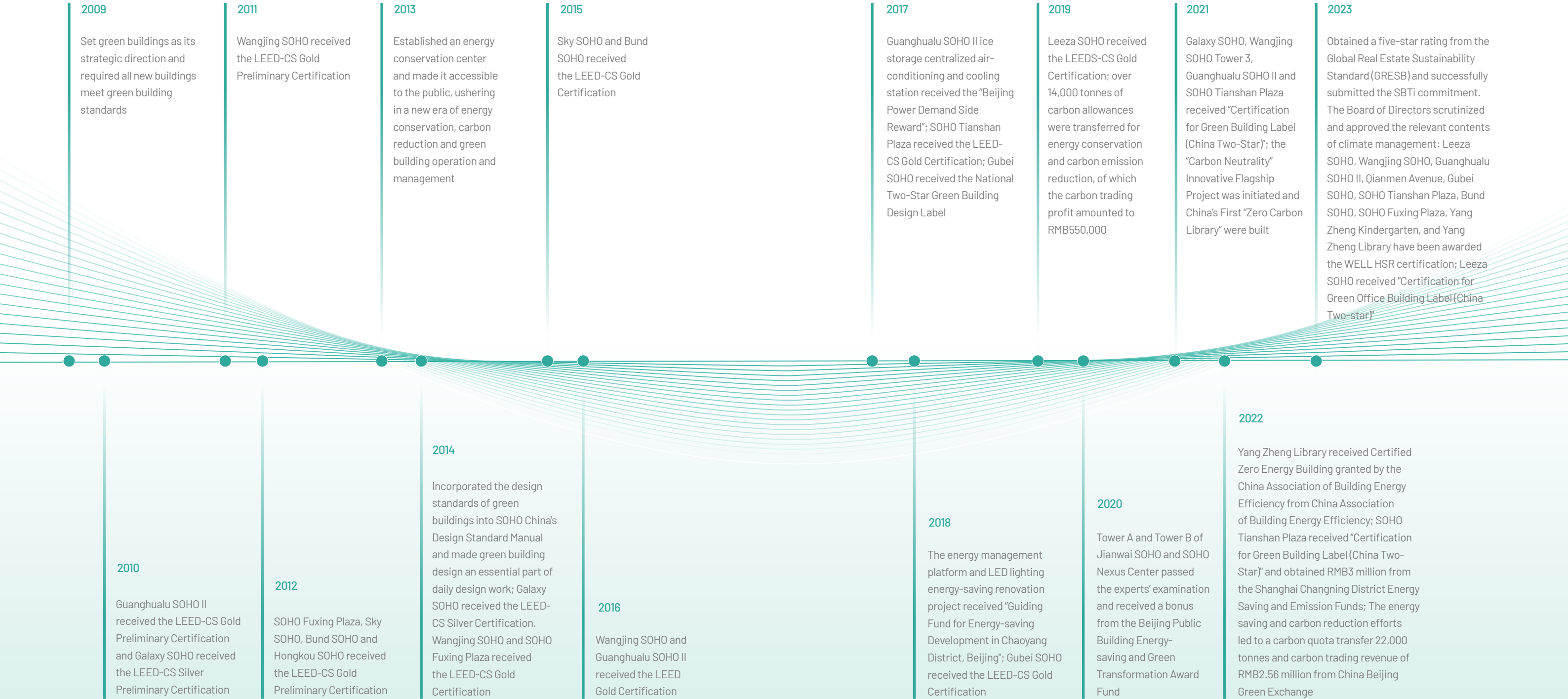
In November 2023, SOHO China formally announced its commitment to the Science-Based Targets initiative (SBTi) initiated by several established organizations, including the World Wildlife Fund (WWF), the Center for Global Environmental Information (CDP), the World Resources Institute (WRI), and the United Nations Global Compact (UNGC). This commitment entails adherence to the stringent 1.5°C threshold and active participation in the global transition to net-zero emission.

To realize the established SBTi targets, SOHO China has implemented a comprehensive low-carbon pathway plan. We conduct thorough evaluations and analyses of the potential for independent emission reduction efforts across all self-owned asset projects and property management initiatives. As a result, a series of independent emission reduction strategies have been devised, including energy-saving technology transformations, energy management enhancements, and additional carbon reduction measures such as promoting energy-efficient practices among tenants, improving green lease management, strengthening property management and decarbonization collaboration among tenants, and establishing green supply chains. These efforts gradually decrease the carbon emissions of each project from 2023 to 2050.

Setting a science-based target (SBT) is pivotal to SOHO China’s sustainable development strategy. It also illustrates the Company’s determination to fulfill its social responsibilities and proactively address climate change challenges. SOHO China will systematically advance key initiatives in low-carbon and sustainable development through refined low-carbon pathway planning, leveraging corporate influence and initiative while supporting the global climate crisis through tangible action.



Important Milestones in Climate Change Action



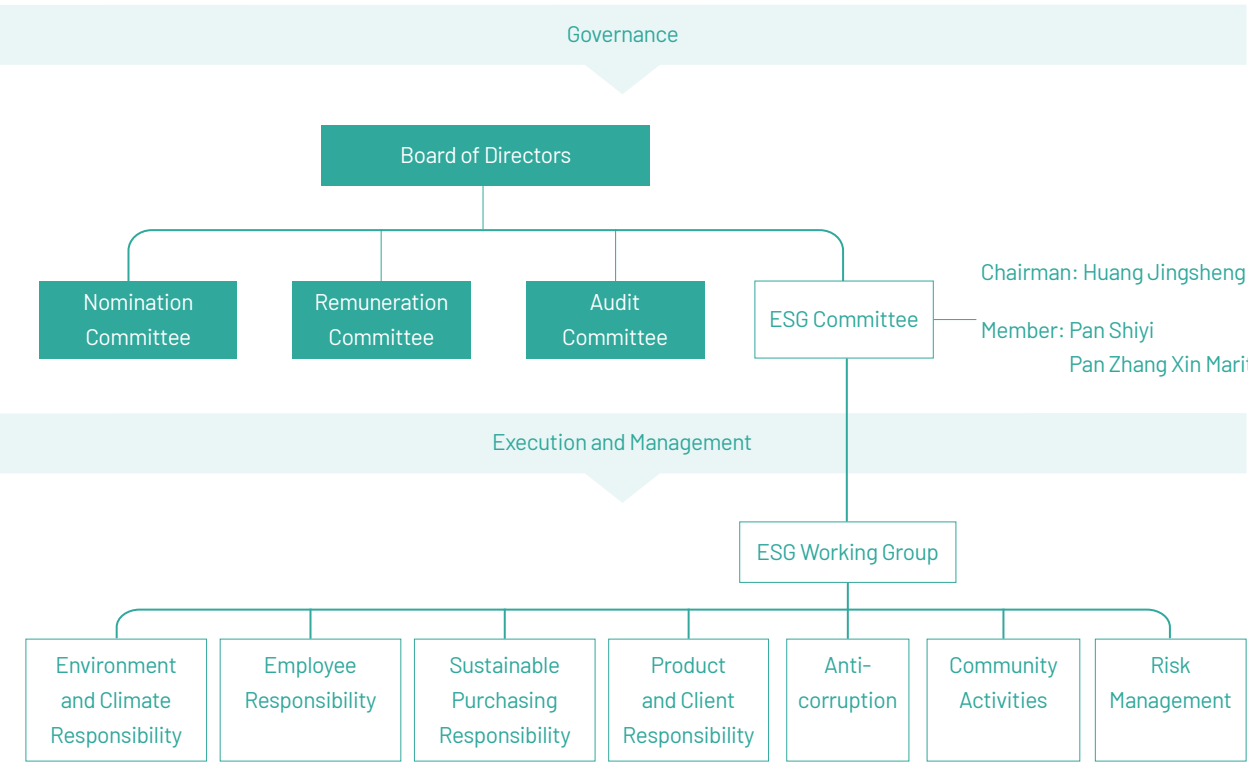
Corporate Governance on Climate Change Action

SOHO China places significant emphasis on and is deeply concerned about the risks associated with climate change. SOHO China has elevated tackling climate change to a pivotal component of its ESG efforts, seamlessly integrating it within the Company's governance framework. SOHO China has implemented a four-tier corporate governance structure to address climate change. This structure operates under the direct leadership and supervision of the Board of Directors, with clearly defined responsibilities at each level. It also links senior executives' performance-based remuneration of the Company with climate change management's objectives.



Governance Structure and Mechanism

SOHO China's corporate governance framework for tackling climate change is under the direct supervision of the Board of Directors. This structure follows the guidance provided by the Board of Directors' *Environmental, Social, and Governance Committee - Terms of Reference*, aligning with science-based carbon reduction targets and carbon reduction pathway planning to tackle climate change. The Environmental, Social, and Governance (ESG) Committee of the Company oversees climate change management's overall deployment and promotion. The Nomination, Remuneration, and Audit Committees collaborate to advance the Company's sustainable development objectives. The Environment and Climate Team is responsible for coordinating the promotion and implementation of climate change risk management, receiving oversight, inspection, and guidance from the ESG Working Group. Additionally, the ESG Committee provides regular reports to the Board of Directors on the progress and effectiveness of the implementation.



SOHO China Tackling Climate Change Governance Structure

Governance



The Board of Directors is the core decision-making and highest governance body overseeing SOHO China's sustainability and climate change initiatives. It plays a supervisory and guiding role with the utmost oversight, assuming primary responsibility for developing the Company's ESG and climate change strategy and reviewing and approving new projects and necessary budgets for climate change mitigation and adaptation. The Board of Directors has empowered the Nomination, Remuneration, and Audit Committees of the Company to support governance and oversight of corporate ESG and climate change management practices. Each committee provides regular reports on their activities and resolutions to the Board of Directors, specifically:

- Offering guidance and oversight on strategy, operations, and management of proactive tackling climate change
- Authorizing the relevant committees to address corporate governance matters in tackling climate change



The ESG Committee is the highest governing body for managing SOHO China's climate change initiatives and serves as the decision-making center for the Company's ESG concerns. It is tasked with the overall deployment and promotion of the Company's tackling climate change, including regular review of the Company's policies, decisions, and practices related to significant climate issues. The ESG Committee also oversees the execution of the Company's climate strategy, formulates and implements climate objectives, and provides regular reports to the Board of Directors on the latest progress, major climate risks, and response measures, but not limited to:

- Determining climate change risks
- Developing strategies to address climate change
- Managing climate indicators and targets
- Overseeing governance of the Company's response to climate change

Execution and Management



The ESG Working Group, led directly by the ESG Committee, serves as a cross-departmental communication platform for executing the Company's ESG initiatives. It is primarily responsible for advancing and implementing environmental and climate management projects, simultaneously managing climate change risks and opportunities. Specific responsibilities include:

- Guiding and supervising the Environment and Climate Team and Risk Management Working Team
- Coordinating and allocating resources
- Enhancing and improving the disclosure of climate-related information
- Continually monitoring and updating the latest climate-related issues



The Environment and Climate Working Team, a functional department under the ESG Working Group, is primarily responsible for overseeing, inspecting, and implementing climate-related initiatives. It plays a crucial role in executing specific measures to address climate change and manage climate risks, and providing guidance, supervision, and inspection for initiating climate-related actions across various professional departments and operating units within the Company. Additionally, the Company performs crucial tasks such as identifying climate risks and conducting carbon emission accounting and data auditing to ensure comprehensive implementation of corporate governance in climate change management, specifically:

- Tracking updates of climate-related laws and regulations
- Identifying, controlling, and managing climate risks
- Establishing and dissecting climate objectives
- Tracking energy and climate indicators
- Implementing climate change response strategies
- Providing regular reports on climate-related matters to the ESG Working Group



In 2023, the Company formed a new specialized risk management team responsible for identifying, assessing, analyzing, and responding to climate-related risks and opportunities. This team aims to enable the Company to proactively implement appropriate measures to manage climate risks and leverage opportunities. Specific actions encompassed within this effort include:

- Identifying, assessing, and analyzing climate risks
- Adopting and ensuring consistent implementation of effective control measures at pivotal risk points
- Collaborating with other ESG working groups to holistically manage ESG risks

Management Measures on Climate Change Action

SOHO China has taken the rights and interests of all stakeholders into consideration, continued to improve the operation and protection mechanism of its corporate governance structure in tackling climate change, and refined its ESG reporting and performance assessment mechanism for climate-related indicators to promote multi-layer and multi-level collaboration within the enterprise in response to climate change, and continued to enhance the enterprise's capability and resilience in responding to climate change.

Climate-related deliberations and reporting procedures

SOHO China mandates the ESG Committee to deliver yearly reports to the Board of Directors on climate-related matters, providing analysis, recommendations, and updates. This process ensures that the individuals ultimately responsible for the Company's climate strategy and objectives and those responsible for tackling climate change can promptly assess and manage climate-related risks and opportunities. Furthermore, it enables the Board of Directors to review and comment on the reports, ensuring effective oversight and supporting the disclosure of climate-related information. The reporting structures in place also serve to continuously enhance the transparency of the Company's climate-related risks and opportunities.

The heads of the Environment and Climate Working Team and the Risk Management Working Team periodically report progress and critical issues to the ESG Working Group, which in turn regularly reports its progress to the ESG Committee. In alignment with the annual report's approval, The ESG Committee updates the Board of Directors at least once a year.

1

- Approve the reorganization of the Environment Working Team under the ESG Working Group into the Environmental and Climate Working Team, and the incorporation of climate-related issues within its scope
- Approve the establishment of the Risk Management Working Team under the ESG Working Group, which focuses on climate change risk management

2

- Approve the submission of short-term emission reduction commitments to the Science-Based Carbon Target Initiative (SBTi), in addition to the review of SBTi targets and assessment of the Company's carbon reduction pathway planning in alignment with the Science-Based Carbon Targets

3

- Approve the adoption of *Policies for Performance-Based Remuneration and its Clawback Policy*, which seeks to link executive's performance-based compensation to the Company's financial and ESG performance indicators; agree to a decision to gradually enhance the ESG assessment system integrated with climate risk management, specifically linked to the performance

4

- Approve the development of an internal carbon management system, along with the promotion of the integration of pertinent management policies into the Company's overall environmental management framework

Climate management and incentive assessment

In October 2023, SOHO China announced *Policies for Performance-Based Remuneration and its Clawback Policy* on official website. This policy directly links executives' performance-based compensation to the Company's financial and ESG performance indicators. Monthly and annual assessments motivates the executives to manage ESG objectives related to climate change actively. Management with outstanding performance will be publicly acknowledged at the year-end recognition ceremony. The Company plans to enhance its performance appraisal system in 2024, integrating ESG criteria and principles, including climate change, at the individual employee level. This adjustment aims to stimulate all employees' of the Company contributions to the long-term value creation.

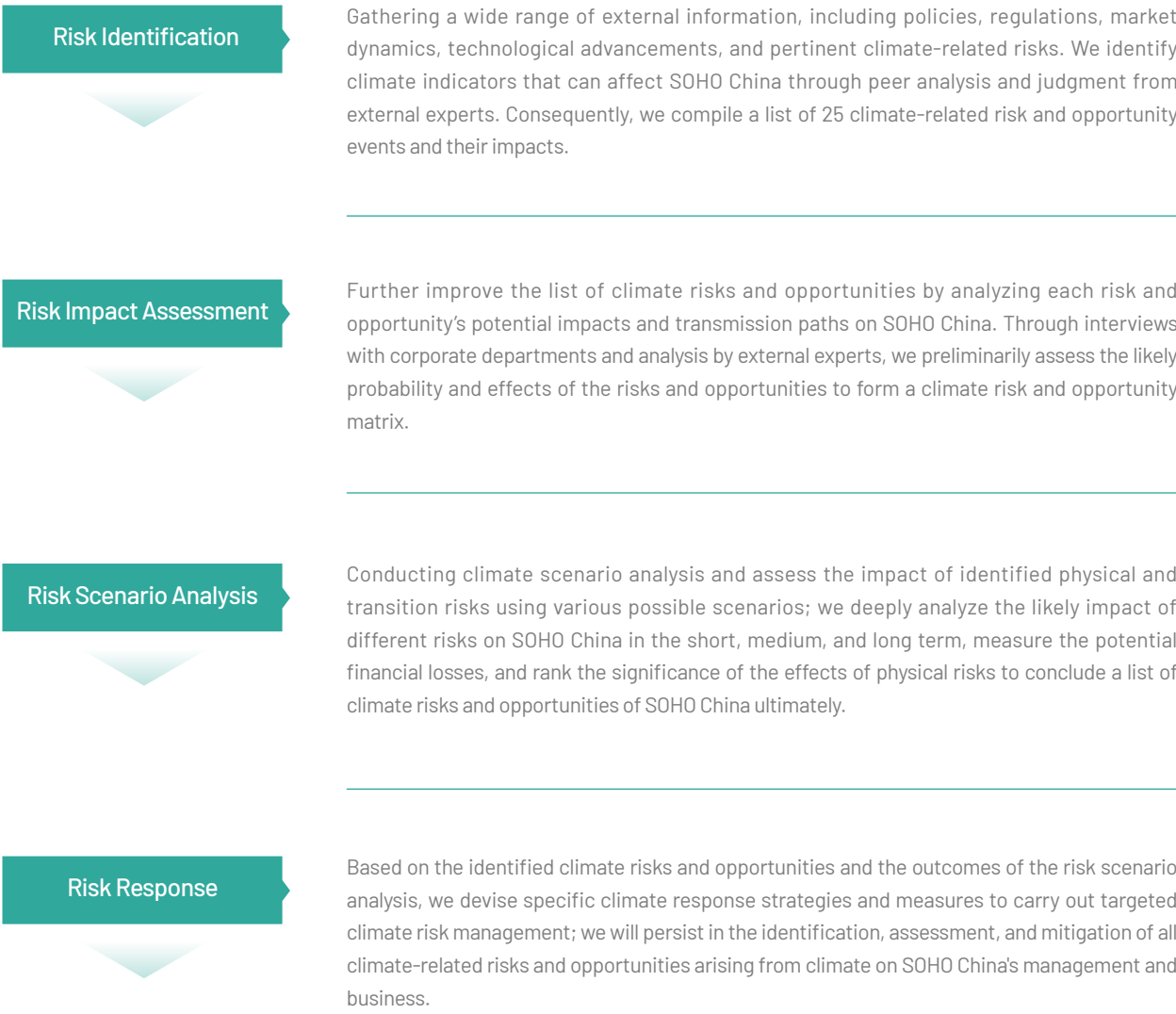
Climate Risk Management

In response to the short-, medium-, or long-term potential financial and strategic implications of climate change, SOHO China has proactively integrated climate risk management into its business risk assessment process and risk governance framework, following the *COSO Enterprise Risk Management (ERM)* framework and suggestions. This integration is a fundamental aspect of the risk management process, encompassing "*Risk Control - Risk Identification - Risk Assessment - Risk Response - Risk Reporting and Communication*." As part of this process, the Company regularly assesses the effectiveness of its risk management efforts, incorporating climate risk considerations into the Low Carbon Action Path to enhance its long-term resilience to climate change.

In the realm of climate risk management, the Environment and Climate Working Team and the Risk Management Team have joined forces to employ scenario analysis tools for the first time, in line with TCFD recommendations, to identify, analyze, and assess the risks and opportunities that may impact corporate strategy and finance. By quantifying and estimating the potential financial implications, we aim to comprehend the actual effect of diverse risks and opportunities on SOHO China's operations. Moreover, SOHO China has crafted response strategies and initiatives based on the analysis results to mitigate the adverse effects of climate risks on the business and promptly seize relevant climate opportunities.

SOHO China follows a structured approach consisting of risk identification, risk impact assessment, risk scenario analysis, and risk response to form a list of climate risks and opportunities. Subsequently, the Company progressively develops risk response mechanisms and strategies, laying a robust groundwork for establishing a low-carbon action plan in the subsequent phase.

SOHO China Climate Risk Management Process



Strategic Blueprint for Climate Change Action

Energy efficiency and carbon reduction in the building sector are vital to achieving the nation's goal of reaching carbon peaking by 2030 and realizing carbon neutrality by 2060. As SOHO China strives to develop high-quality, green, healthy, and climate-resilient buildings, we prioritize the environmental performance of our property operations. We are dedicated to collaborating with our tenants and owners to actualize our ESG goals and find sustainable solutions to promote a shared living model involving a broad spectrum of stakeholders, such as the community and the public. We endeavor to establish a “new norm” in commercial real estate leasing and operation across corporate, industry, and societal perspectives.

Planning Our Low-Carbon Path



We strive to become an exemplary, sustainable Company. Guided by the principles of IFRS S2 (Climate-related Disclosures) concerning Governance, Strategy, Risk Management, Indicators and Targets, we fortify our management initiatives, pursue proactive approaches to tackle climate-related risks and challenges, and advance towards a zero-carbon future.

Establishing a Sustainable Model for Commercial Real Estate



As trailblazers in the eco-friendly and low-carbon evolution of office building operators, we are the first organization in China to employ tools such as CRREM for evaluating the influence of climate change on corporate strategies and finances, which enables us to identify energy-saving opportunities within our current commercial properties and the entire value chain. Our commitment also involves charting a course for the low-carbon transformation of commercial properties and collaborating with our tenants to bolster the city's capabilities for sustainable advancement.

Leading a Green and Low-Carbon Lifestyle

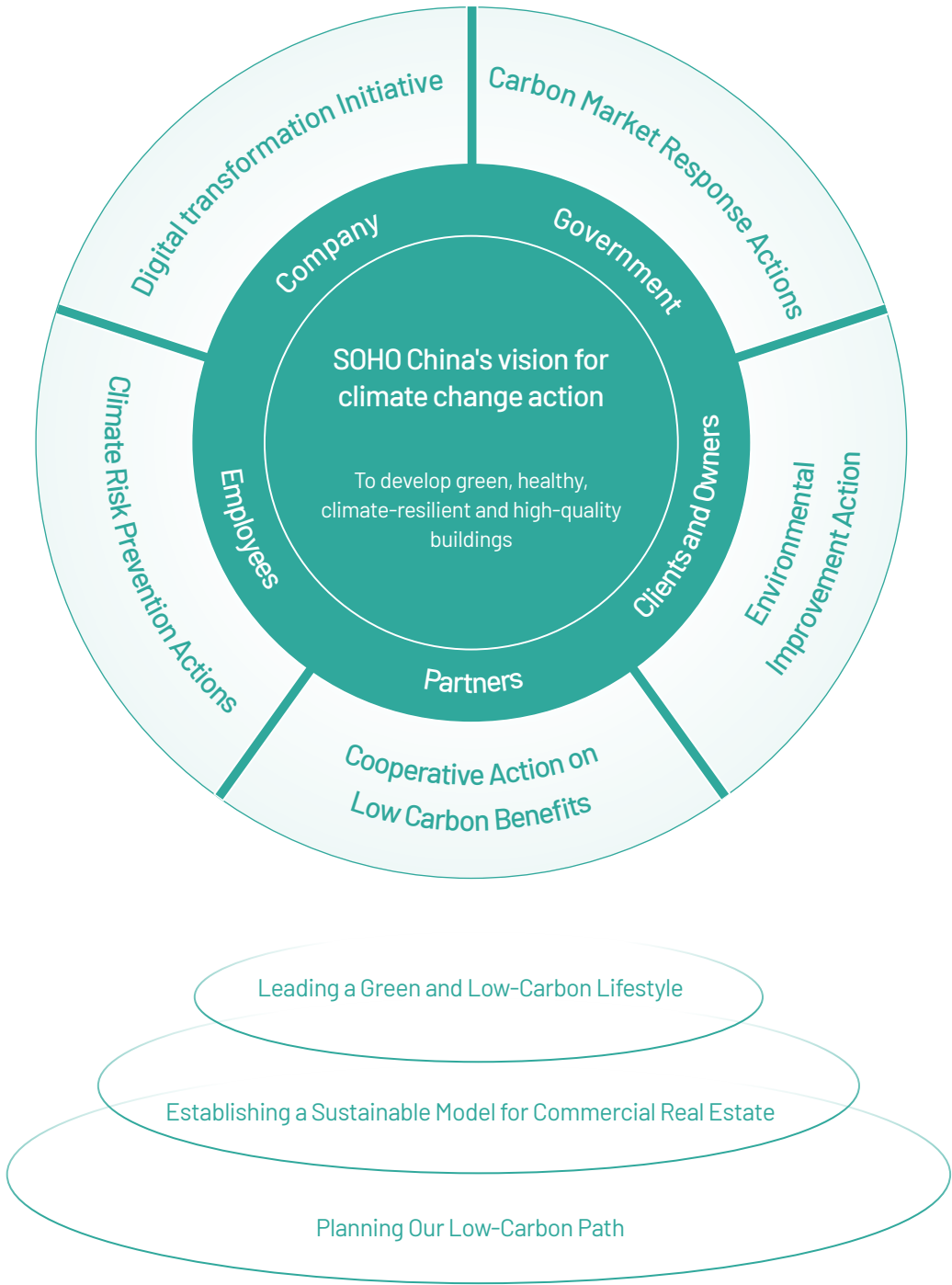


Embracing the strategic advantage of our centrally situated properties, we proactively integrate the low-carbon principles endorsed by the United Nations Sustainable Development Goals (UNSDGs), the Science-Based Targets Initiative (SBTi), and other pertinent organizations. We foster community engagement, promote the ethos of low-carbon to the broader public and relevant stakeholders, and jointly explore green and low-carbon lifestyles.

Enhancing Climate Change Action Through Firm Values

SOHO China is steadfast in its conviction that addressing climate change is one of the imperative issues for the sustainable development of commercial real estate enterprises and is also an integral part of addressing global climate challenges. Based on "planning our low-carbon path", "establishing a sustainable model for commercial real estate", and "leading a green and low-carbon lifestyle" by concentrating

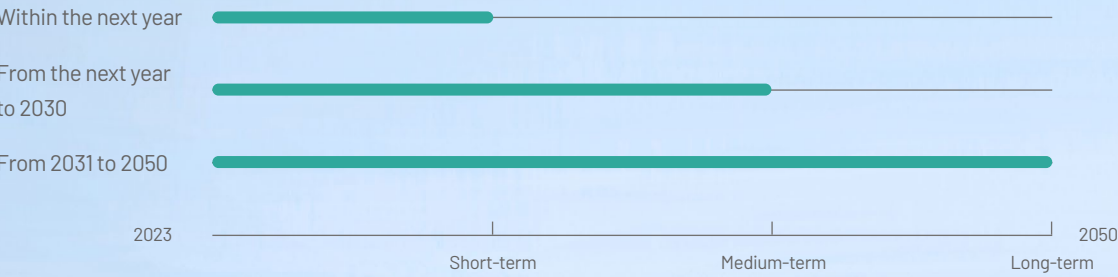
on digital transformation, responding to carbon markets, environmental benefits improvement, fostering inclusive collaboration on low-carbon benefits, and climate risks prevention, SOHO China is committed to collaborating with stakeholders to drive the realization of its 2030 GHG emissions reduction targets across the entire value chain.



Risk Management in Climate Change Action

Commercial real estate is characterized by high energy intensity, high concentration, and substantial electricity consumption, leading to a heightened susceptibility to climate change-related challenges such as rising sea levels, high temperatures, and extreme heat. As such, it is imperative to comprehensively grasp the implications of climate risks and opportunities on commercial real estate operations in the long run, enabling the development of strategies to address climate change. This includes enhancing energy efficiency and cutting carbon emissions to reduce the vulnerability of corporate assets and operating portfolios and bolster the resilience of corporate operations.

To gain a comprehensive understanding of the potential impact of climate-related risks and opportunities on SOHO China, the Environment and Climate Working Team initially established three temporal dimensions: short-term (within the next year), medium-term (from the next year to 2030), and long-term (from 2031 to 2050), then assessed and determined the impact periods of the next 25 risk and opportunity events, which were integrated into the Company's overall physical risk management timeline for subsequent analysis. The final results are presented below:



Impact Periods of Climate Risks and Opportunities³

³ Delineation of impact period: The temporal scope of impacts is categorized into three tiers. Short-term phase denote events within the next year. The medium-term phase extends from the next year to 2030, aligning with short-term SBTi target cycle. The long term phase pertains to the period from 2031 to 2050, in line with the long-term SBTi target cycle.

Period	Physical Risk	Transition Risk	Opportunities
Short-term	1 Flooding 2 Hail 3 Cyclone/Typhoon/Hurricane	1 Pricing of products and services	1 Green building certification
Medium-term	1 Extreme heat 2 Extreme precipitation 3 Cold wave	1 Use of renewable energy 2 Stakeholder requirements for climate risk disclosure	1 Carbon market 2 Digital energy management 3 Energy saving and low carbon retrofit
Long-term	1 Water scarcity 2 Dry trend 3 Wet trend 4 Warming trend 5 Wind trend 6 Sea level rise	1 Carbon markets 2 Carbon pricing	1 Use of green building materials 2 Green finance 3 Circular economy 4 Change in tenant partner preferences

Furthermore, in adherence to the TCFD recommendations, SOHO China classifies risks into two principal categories, physical risks and transitional risks, to transparently delineate the effects of distinct risk types. SOHO China undertakes comprehensive analyses of each risk category, utilizing more pertinent climate scenarios. For detailed procedures and analysis outcomes pertaining to "Physical Risks" and "Transition Risks", please refer to the corresponding sections in this chapter.

Physical Risk

Extreme climate or anomalous weather events can lead to direct loss in asset value or operational interruptions to the Company. To holistically understand the Company's exposure to physical climate risks, we have commenced the identification and evaluation of such risks in line with the TCFD framework recommendations. This entailed the creation of a materiality matrix and event list for physical hazards, followed by an assessment of their impacts on operations and asset value. Subsequently, based on the analysis outcomes, we have deliberated and devised a targeted response strategy to fortify SOHO China's resilience to climate change and support the Company's pursuit of high-quality development.

Scenario Selection

To precisely assess and measure the impact of physical climate change risks on SOHO China's asset value and operations, we utilized the IPCC⁴'s Representative Concentration Pathways (AR5-RCPs). We adopted the RCP4.5 medium-low emissions scenario and the RCP8.5 high emissions scenario to analyze physical risks.

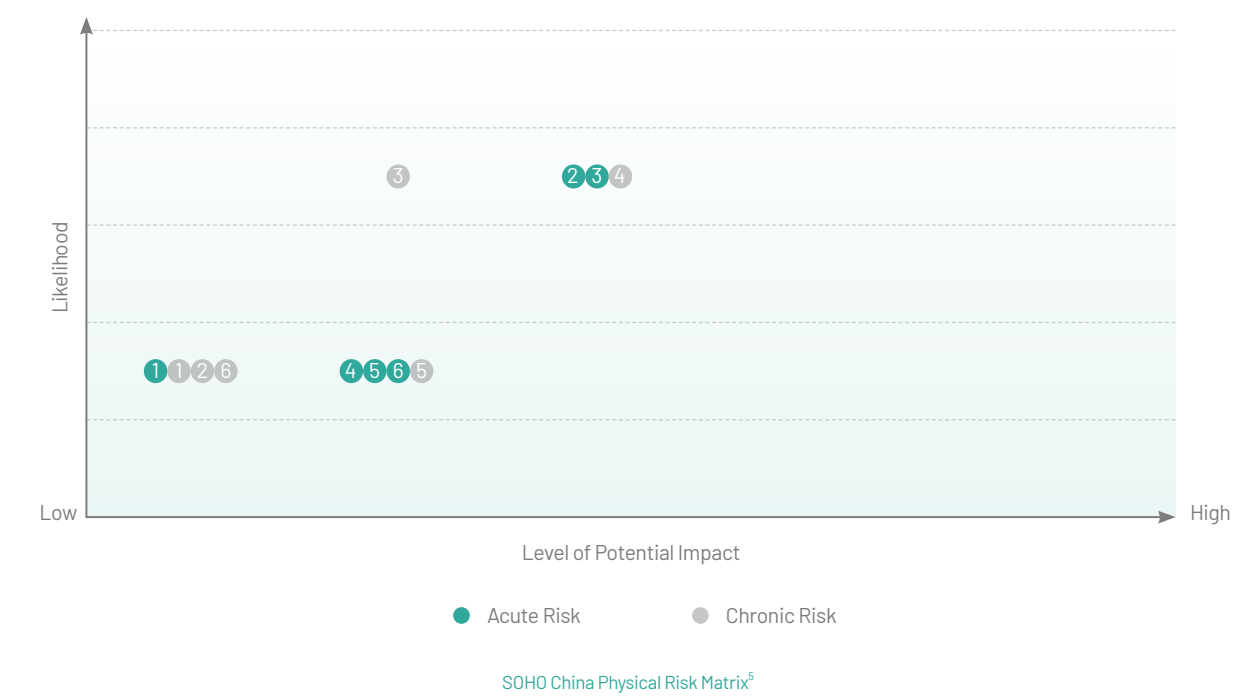
Climate Scenarios Description for SOHO China's Physical Risk Analysis

Applicable Scenario	Scenario Selection	Scenario Assumptions and Impacts	Projected warming by the end of the century	Scenario Source
Medium-low emissions scenario 	RCP 4.5 Scenario	Greenhouse gas emissions are projected to increase slightly and then peak before beginning to decline around 2040. A 50% reduction in global emissions will be achieved by 2080.	~2 °C	IPCC
High emissions scenario 	RCP 8.5 Scenario	Under the assumption of no policy impediments to emission reductions, the scenario is typified by escalating greenhouse gas emissions, leading to high concentrations of greenhouse gases in the atmosphere.	> 4 °C	

⁴ IPCC: The Intergovernmental Panel on Climate Change is a United Nations body jointly established by the World Meteorological Organization and the United Nations Environment Programme. It is committed to researching the risks and effects of climate change on the environment, economy, and society.

Physical Risk Materiality Assessment

Through the aforementioned climate-related risk and opportunity identification process, SOHO China identified six acute physical risks and six chronic physical risks in 2023. Subsequently, a physical risk matrix was developed based on the likelihood of occurrence and the level of potential impact of the risks, as illustrated below:



Acute Risk	Chronic Risk
1 Flooding	1 Water scarcity
2 Extreme heat	2 Dry trend
3 Extreme precipitation	3 Wet trend
4 Hail	4 Warming trend (higher average air temperatures)
5 Cold wave	5 Wind trend
6 Cyclone/Typhoon/Hurricane	6 Sea level rise

⁵ The risk matrix is formulated based on the likelihood of the risk occurring in the future and the magnitude of its potential impact. Likelihood assesses the chance of risk occurrence, while potential impact is gauged by the extent and depth of its effects, including the projected financial losses.

Upon reviewing reports and data from prominent international entities such as The World Bank, Carbon Disclosure Project (CDP), and United Nations Intergovernmental Panel on Climate Change (IPCC), as well as relevant literature from global and domestic sources, we meticulously interpreted climate-related risks and their potential implications for SOHO China. Furthermore, we thoroughly analyzed the impact of financial factors encompassing operating costs and operating income. The subsequent summary outlines the ramifications of identified physical risk factors on business operations:

SOHO China Physical Risk List			
Physical Risks	Potentially Affected Stakeholders	Potential Risk Impact Pathways	Potential Financial Impacts
Increase in wet air and precipitation due to climate change, resulting in abnormal regional water level or saltwater intrusion	• Tenants/ Owners • Employees • Community	• Flooding or saltwater intrusion and erosion may impact the transportation, water supply, drainage, and electricity facilities on which the buildings depend, leading to elevated logistic, maintenance, and repair expenses. Additionally, it could disrupt business operations for tenants, owners, and employees, thereby hindering their ability to conduct regular office duties and subsequently affecting the daily operations of the leasing business • Building leakages or moisture incursions might lead to secondary issues such as interior dampness, mold, and corrosion, influencing the operational efficacy of the assets and contributing to increased operating and maintenance costs, as well as insurance and management expenses • Potential flooding, storm surges, and risk of inundation to underground office, commercial space, equipment, garages, etc., require investment in flood protection and risk management to safeguard against diminished asset longevity and potential write-offs, impairments, or premature disposal of current assets	• Increase in operating and management costs • Decrease in operating income • Increase in employees' and property insurance expenses • Impairment loss on assets
Unusually higher temperatures due to climate change	• Tenants/ Owners • Employees	• Escalated demand for air conditioning and increased energy consumption stemming from the risks posed by heat exposure to building assets • Potential infrastructure damage due to heat exposure risks, leading to service disruptions and obstructed asset access • Heightened capital and operational expenses for cooling system enhancements or the possibility of stranded assets failing to meet comfort standards • Amplified risks to employee health and safety associated with extreme heat weather • Elevated probability of accidental fires jeopardizing life and property security	• Increase in operating and management costs • Decrease in operating income • Impairment loss on assets

Physical Risks	Potentially Affected Stakeholders	Potential Risk Impact Pathways	Potential Financial Impacts
Water scarcity due to dry trend, etc.	• Tenants/ Owners • Employees • Community	• The impact of drying trend on building landscape maintenance necessitates the optimization of vegetation selection and irrigation systems to ensure landscape resilience and sustainability • The impacts on water availability subsequently affect water supply, cooling requirements, sanitation facilities, and the stability of system operations • Increased water costs imposing additional financial pressure on companies and tenants	• Increase in operating costs
Abnormal wind trend or increased impact of cyclone/typhoon/hurricane	• Tenants/ Owners • Employees • Community	• Structural damage to buildings and infrastructure, culminating in diminished asset longevity and heightened maintenance outlays • Secondary calamities such as intense rainfall, flooding, and river overflow • Unforeseen catastrophic events leading to work stoppages and operational disruptions • Jeopardizing the health and safety of individuals	• Increase in operating and management costs • Decrease in operating income • Increase in employees' and property insurance expenses • Resulting in asset impairments or early disposal of existing assets
Occurrences of cold weather such as cold wave	• Tenants/ Owners • Employees	• Impairment of commercial property buildings and equipment, resulting in decreased asset values and augmented maintenance expenses • Augmented utilization and energy consumption of heating equipment such as electric heating, electric tracer heat, and hot air curtains, thus inflating operating costs	• Increase in operating and management costs • Decrease in operating income
Extreme weather, such as hailstorm	• Tenants/ Owners • Employees	• There will be dents or damage to building assets such as walls and glass, reducing asset lifespan and functionality • Upholding maintenance and repair of impaired items, including the restoration of vehicles and equipment surfaces • Hampering the commute of employees, tenants, and owners, thus hindering their travel and business • Accidental injuries to outdoor personnel due to sudden hailstorm	• Increase in operating and management costs • Increase in provision for asset impairment • Increase in employees' and property insurance expenses • Increase in capital expenditure

Physical Risk Scenario Analysis

To quantitatively analyze the above impacts, SOHO China conducted a physical risk scenario analysis for two time horizons: 2030 (short-to-medium term) and 2050 (long term), guided by the IPCC AR5-RCPs scenarios. The risk assessment covered 24 SOHO China owned and managed projects in Beijing, Shanghai and Hainan, following the "Combined Physical Risk Impact Assessment - Physical Risk's Financial Impact Assessment - Physical Risk's Financial Loss Calculation" frameworks.

The analysis reveal that

> The Company faces higher vulnerability to extreme precipitation, wet trend, extreme heat, and warming trend in the future;

> Extreme precipitation notably potentially affects the operating income of buildings in Shanghai, followed by Beijing and Hainan. Moreover, it significantly impacts self-owned projects rather than property management-only projects; and

> The Company will prioritize managing four key risks affecting its asset value and operating income in its future physical risk management: extreme precipitation, wet trend, extreme heat and warming trend. Specifically, for extreme precipitation risk, resources will be focused on management in the Shanghai's buildings by the Company.

Combined Physical Risk Impact Assessment

Based on the operational location of the assets and industry information, a composite climate risk rating of 0 to 100 is created, utilizing climate hazards and vulnerability⁶ as key indicators of materiality. A particular risk is deemed significant when it exhibits a high impact relative to other industries and peer-group companies. The location of the risk in the upper right quarter of the physical risk assessment matrix indicates its significant influence.

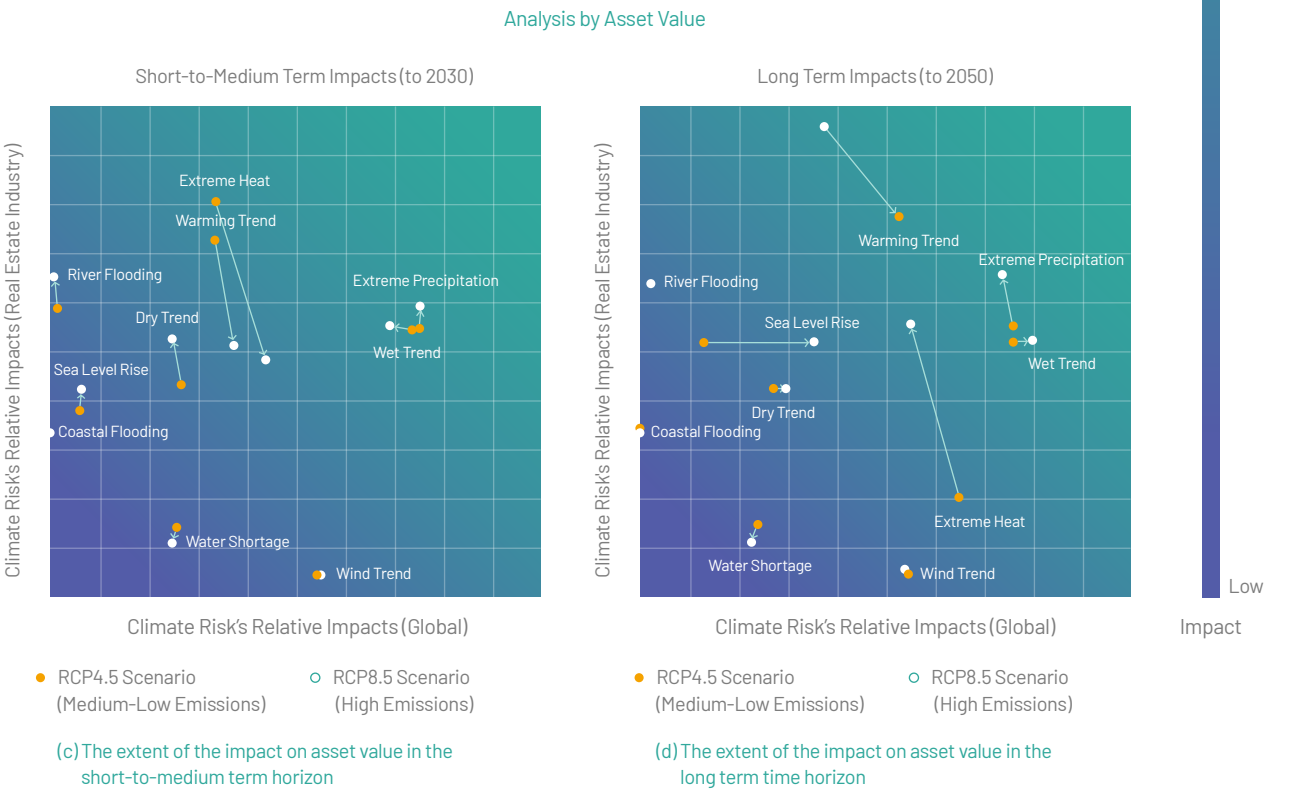
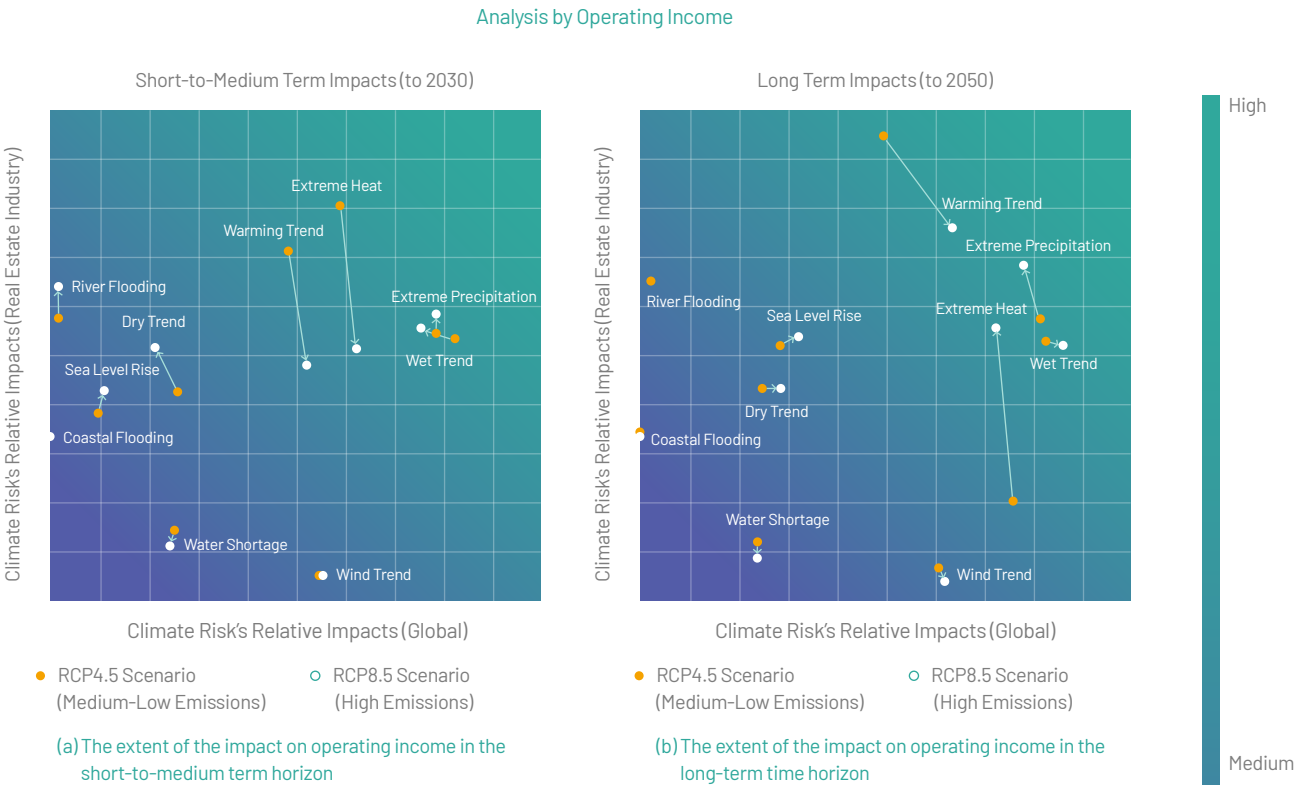
The results indicate that

> Extreme heat and warming trend minimally affect SOHO China's asset value in the short-to-medium term but have a potentially substantial impact in other scenarios on operating income and asset value; and

> Additional risks exhibit significance in various scenarios, particularly for extreme precipitation and wet trend, with lower potential impacts observed for river flooding, coastal flooding, sea level rise, water scarcity and wind trend.

⁶ The climate hazard factor evaluates the frequency and intensity of specific climate hazards, such as extreme precipitation and extreme heat, at SOHO China's operational sites. Meanwhile, the vulnerability factor assesses SOHO China's capacity to withstand climate hazards, encompassing both industry and region sensitivities.

SOHO China Physical Climate Risk Matrix⁷



⁷ The risk matrix is formulated based on the likelihood of the risk occurring in the future and the magnitude of its potential impact. Likelihood assesses the chance of risk occurrence, while potential impact is gauged by the extent and depth of its effects, including the projected financial losses. The arrow "→" in figure (a) to (b) indicates the the impact path changes from the RCP4.5 scenario (medium-low emissions) to the RCP8.5 scenario (high emissions), indicating that the change in the risks' impact on rating is within the range of this path.

Physical Risk’s Financial Impact Assessment

The Company performs quantitative evaluations by considering the quantity of potentially affected buildings and the maximum scale of operating income to gauge the degree to which materiality risks might exert the most significant influence on SOHO China across various scenarios.

The results indicate that	
> Extreme precipitation and wet trend	Under various scenarios, the Company's asset value and operating income in Beijing, Shanghai and Hainan could be potentially impacted ⁸ in the future
> Extreme heat	In the short-to-medium term, under the medium-low emissions scenario, seven projects namely The Exchange SOHO, SOHO Zhongshan Plaza, SOHO Fuxing Plaza, Sky SOHO, Bund SOHO, SOHO Tianshan Plaza, and Gubei SOHO could be affected. Additionally, Leeza SOHO would be included as potentially affected in the long term
> Warming trend	The Exchange SOHO, SOHO Zhongshan Plaza, SOHO Fuxing Plaza, Sky SOHO, Bund SOHO, SOHO Tianshan Plaza, Gubei SOHO, and Boao Canal Village are subject to potential risk under different scenarios due to this warming trend

Types of Physical Risks		Financial Impact Calculation in Short-to-Medium Term (to 2030)					
		RCP4.5 scenario (medium-low emissions)			RCP8.5 scenario (high emissions)		
		Number of potentially affected buildings	Percentage of potentially affected buildings	Percentage of potentially affected finance	Number of potentially affected buildings	Percentage of potentially affected buildings	Percentage of potentially affected finance
Acute	Extreme precipitation	24	100.00%	100.00%	24	100.00%	100.00%
	Extreme heat	7	29.17%	58.18%	8	33.33%	58.32%
Chronic	Wet trend	24	100.00%	100.00%	24	100.00%	100.00%
	Warming trend	8	33.33%	58.32%	8	33.33%	58.32%

⁸ All of SOHO China's 24 asset values and its operating income may be affected by extreme precipitation and wet trends. The impact level would vary based on the severity of the weather conditions.

Types of Physical Risks		Financial Impact Calculation in the Long Term (to 2050)					
		RCP4.5 scenario (medium-low emissions)			RCP8.5 scenario (high emissions)		
		Number of potentially affected buildings	Percentage of potentially affected buildings	Percentage of potentially affected finance	Number of potentially affected buildings	Percentage of potentially affected buildings	Percentage of potentially affected finance
Acute	Extreme precipitation	24	100.00%	100.00%	24	100.00%	100.00%
	Extreme heat	8	33.33%	64.67%	8	33.33%	58.32%
Chronic	Wet trend	24	100.00%	100.00%	24	100.00%	100.00%
	Warming trend	8	33.33%	58.32%	8	33.33%	58.32%

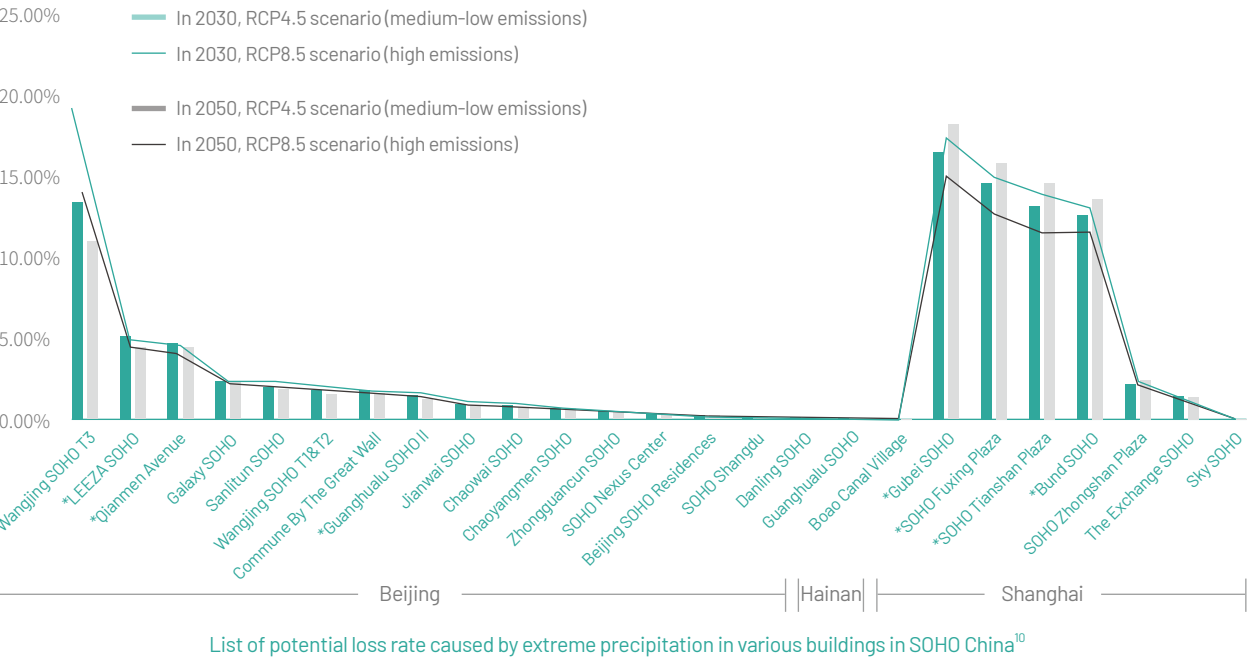
Number of affected buildings and percentage of affected operating income⁹ under material risks in the short-to-medium term and long term time frames

Physical Risk’s Financial Loss Calculation

To simulate the actual impact of risks more realistically, the Company utilizes industry information, project geographic location, and business operations to simulate and quantitatively analyze potential financial losses based on specific climate risk financial loss curves using extreme precipitation.

The results indicate that	
>	In various scenarios, the potential impact of extreme precipitation on project operating income is most significant in the Shanghai area, surpassing the potential cumulative losses of the Beijing areas combined. The scale of the Hainan area is relatively smaller, and even if affected by extreme precipitation, it would not significantly affect the Company's overall operations.
>	Within the same region, the potential impact on operating income from self-owned projects surpasses that from property management-only projects.

⁹ Calculations are based on the number of buildings and operating incomes in 2021, without taking into account other factors such as inflation and changes in business scale.



Risk Response Measure

SOHO China underscores the distinction between potential and actual impacts of climate disaster events on the Company's asset value and operations. Utilizing the outcomes of the climate physical risk list and scenario analysis, we adopt targeted climate “mitigation” and “adaptation” strategies for each type of physical risk and its potential impacts. Additionally, we plan a comprehensive climate risk management strategy. We conduct regular assessments of climate vulnerability and resilience, consistently implementing corresponding measures to prevent, control, and promptly mitigate risks.

Elevating Climate Risk Management Capabilities	Develop and refine relevant systems and management procedures, such as risk alert systems, safety drills, contingency plans, disaster recovery, and business continuity programs. These measures aim to ensure swift responses to disasters and maintain high-quality operations to safeguard the safety and interests of assets, employees, tenants, and other personnel
Improving Climate Risk Monitoring Capabilities	Regularly assess of climate vulnerability and resilience to attain real-time climate risk information. We closely monitor the potential impacts of significant climate and natural risks on buildings, equipment, and other properties of SOHO China while evaluating the effectiveness of current mitigation measures
Enhancing Climate Risk Handling Capabilities	At the present stage, bolster our capacity to respond to and mitigate risks effectively through proactive measures, which include issuing early warning information, conducting risk response drills, and implementing unique contingency plans. After the risk has occurred, we promptly communicate the latest developments to employees, tenants, owners, and other stakeholders to foster understanding and minimize short- and medium-term adverse effects Strengthen our long-term risk-handling capabilities by leveraging digital energy management platforms, expanding the scope of energy-saving technological improvement projects, and pursuing comprehensive energy and resource management transformation initiatives

SOHO China Physical Climate Risk Response Strategies

¹⁰ The projects marked with * are SOHO China's self-owned projects

SOHO China's Physical Climate Risk Response Measure

Physical Risk	Response Measure
Increase in wet air and precipitation due to climate change, resulting in abnormal regional water level or saltwater intrusion	We will deploy flood control measures before the rainy season to bolster emergency response capabilities during the flood season, including: - Undertaking flood control inspections, encompassing safety assessments of electrical circuits and lightning protection facilities, as well as rainwater well dredging, and ensuring the availability of comprehensive flood control materials like flood baffles and sandbags - Conducting flood control drills and promotional activities throughout the summer, including flood monitoring, forecasting, and safety measures such as sandbag deployment and post-flood cleanup, to enhance our response capabilities of flood safety and protection - Investing in flood prevention infrastructure to optimize leakage-proof and moisture-proof facilities, utilize waterproof materials and coatings, and enhance the waterproofing capacity of walls and floors - Optimizing the drainage system by regularly inspecting and maintaining drains and sewers and eliminating blockages to facilitate unimpeded water flow During the rainy season, we proactively conduct inspections to strengthen our emergency response capabilities, including: - Conducting regular inspections during heavy rainstorms, explicitly focusing on low-lying flooded areas for prompt dredging and remediation - Inspecting and maintaining landscape trees to prevent collapse and other related incidents - Conduct real-time inspections of plaza floors, parking lot ramps, and roof terraces for standing water and promptly address any abnormal drainage issues to prevent rainwater backflow - Ensure the safety of electrical circuits, distribution boxes, and other facilities by routinely inspecting the equipment and facilities in the rainwater mechanical room
Unusually high temperatures due to climate change	- Establish a digital energy and carbon management platform, enabling real-time energy consumption monitoring, and conducting regular energy-saving analyses to optimize energy-saving strategies. Notably, our projects have undergone demand-side response analyses to prepare peak energy use plans during high-temperature conditions, thereby enhancing the energy resilience of these properties - Use diverse energy-saving measures, encompassing the installation of energy-efficient lighting, equipment, HVAC systems, and the adoption of intelligent adaptation techniques to augment the insulation and ventilation systems of our buildings and to reduce energy pressure - Each project has had Uninterruptible Power Supply (UPS) systems to ensure emergency power supply capabilities - Invest in renewable energy sources to fortify the resilience of commercial buildings and minimize the strain on the grid during peak demand periods - Provide extensive training on heatstroke prevention and emergency response protocols while installing heatstroke prevention and cooling facilities in the Company's café area to mitigate the impact of high temperatures on employees' health - Issue high-temperature warnings and imparting protective tips to tenants, facilitating their preparedness in coping with extreme high-temperature conditions

Physical Risk	Response Measure
Water scarcity due to drying trend, etc.	• Implement water resource management programs, including strategies for rainwater management and other essential physical measures to safeguard water resources • Set specific water conservation management targets, integrate them into evaluating water conservation performance, and drive various projects to achieve sustainable water resource utilization through lean management and exploration of innovative water conservation technologies
Abnormal wind trend or increased impact of cyclone/typhoon/hurricane	• Ensure that infrastructures and buildings are able to withstand hurricane force winds of super typhoon significance; intensifying the inspection of building facilities, including glass curtain walls, by incorporating them into the daily inspection checklist for equipment and facilities • Carry out property protection activities to safeguard against cyclone, typhoon, and hurricane, including the installation of wind-resistant windows and doors, reinforcement of roof structures, and the maintenance of sufficient emergency supplies to ensure the stability and safety of essential equipment and personnel • Take swift repair actions to damaged facilities and equipment, collaborating with insurance companies, vendors, local governments, and communities to expedite recovery efforts • Disseminate early warning tips for gale force winds on WeChat accounts for various projects
Occurrence of cold weather such as cold wave	• Enhance building maintenance and protection measures, conducting regular inspections and maintenance of the exterior and interior facilities of buildings to ensure their resilience against extreme weather conditions associated with cold wave • Diligently monitoring heating equipment, boilers, radiators, and related systems to ensure optimal operation • Maintaining effective communication with tenants, and providing timely updates on current cold wave events
Extreme weather such as hailstorm	• Enhance building protection by installing hail netting or hail guards on the exterior of the building to minimize hail damage to exterior walls and the roof • Procure appropriate insurance coverage to mitigate potential hail damage



Transition Risk

The transition risk primarily means the imperative to mitigate and adapt to climate change, which may arise during the low-carbon transition process due to the influence of policy, legal, technological, and market changes. Similar to the analysis procedure for physical risks mentioned above, we identified potential transition risks in the short-to-medium and long-term, produced a comprehensive list and matrix of transition risks and opportunities, and further quantitatively evaluated the impact of transition risks on SOHO China both at the enterprise and individual asset levels, predicated on distinct climate scenarios. Based on the results of the analysis, we have developed response strategies and enacted relevant measures to enhance SOHO China's climate resilience through continuous climate risk monitoring and management.



Scenario Selection

To address the impact of climate change transition risks on SOHO China's asset value and operations, SOHO China has conducted a comprehensive analysis at the enterprise level based on the latest World Energy Outlook report (World Energy Outlook 2022, IEA WEO 2022) released by the International Energy Agency (IEA). The analysis encompassed the selection of the Net Zero by 2050 Scenario, the Announced Pledges Scenario, and the Stated Policies Scenario. Concurrently, the Net Zero Emissions by 2050 Scenario from IEA, along with the RCP4.5 medium-low emissions scenario and RCP8.5 high emissions scenario from IPCC, were employed to conduct a comprehensive analysis at the individual asset level.

Climate Scenario Description for SOHO China's Transition Risk Analysis

Analysis Levels	Applicable Scenario	Scenario Selection	Scenario Assumptions and Impacts	Projected warming by the end of the century	Scenario Source
Enterprise levels	Low emissions scenario	Net Zero by 2050 Scenario	The global energy sector will achieve net zero emissions by 2050, while the global power sector will achieve net zero emissions by 2040.	~1.5 °C	IEA WEO 2022
	Medium-low emissions scenario	Announced Pledges Scenario	Under the Announced Pledges Scenario, countries implement their national objectives comprehensively and in a timely manner.	~1.8 °C	
	High emissions scenario	Stated Policies Scenario	This scenario presents a cautious estimation for the future, as it does not take for granted that governments will achieve all declared goals.	~2.5 °C	
Individual asset levels	Low emissions scenario	Net Zero by 2050 Scenario	The global energy sector will achieve net zero emissions by 2050 while the global power sector will achieve net zero emissions by 2040.	~1.5 °C	IEA WEO 2022
	Medium-low emissions scenario	RCP 4.5 Scenario	Greenhouse gas emissions will rise slightly but will peak around 2040 and begin to decline. By 2080, global emissions will reduce by 50%.	~2 °C	IPCC
	High emissions scenario	RCP 8.5 Scenario	Consistent with a future without policy challenges to achieve reductions, it is characterized by increasing greenhouse gas emissions, which in turn result in high greenhouse gas concentrations in the atmosphere.	> 4 °C	

Transition Risk Materiality Assessment

Through the foregoing climate-related risk and opportunity identification process, SOHO China identified five transition risks and eight transition opportunities in 2023. Subsequently, a transition risk and opportunity was developed based on the likelihood of occurrence and the potential impact level of the risks, as illustrated below:



SOHO China Climate Transition Risk and Opportunity Matrix¹¹

Risks	Opportunities
1 Use of renewable energy	1 Use of green building materials
2 Carbon market	2 Carbon market
3 Pricing of products and services	3 Green building certification
4 Stakeholder requirements for climate risk disclosure	4 Green finance
5 Carbon pricing	5 Circular economy
	6 Digital energy management
	7 Energy saving and low-carbon transformation
	8 Shift of Tenant and partner preferences

¹¹ The risk matrix is formulated based on the likelihood of the risk occurring in the future and the magnitude of its potential impact. Likelihood assesses the chance of risk occurrence, while potential impact is gauged by the extent and depth of its effects, including the projected financial losses.

In light of diverse policy information, market dynamics, and technological advancements, SOHO China undertook a comprehensive analysis to interpret climate change risk events and their potential influence. The identified climate transition risk and opportunity list encompasses the following:

SOHO China Climate Transition Risk List

Climate Transition Risk		Potentially Affected Stakeholders	Potential Risk Impact Pathways	Potential Financial Impacts
Policy	Carbon market	Government and regulatory organizations	The government establishes a comprehensive carbon market quota and assigns quotas to essential emission-generating entities. Over time, the diminishing allotment of carbon quotas may pose greater transition risks than opportunities for the Company. As a result, the Company is required to procure an ample amount of carbon emission rights to offset their emissions, thereby amplifying costs	- Increase in operational and management costs - Increase in short-term capital expenditure
	Carbon pricing	Company's management	Several factors, including fluctuations in carbon prices, indicate that certain assets of SOHO China might encounter forthcoming carbon emission expenses. In the absence of proactive internal carbon pricing (i.e., companies internally assign a financial value to greenhouse gas emissions and integrate it into their business decisions), excessive carbon emission costs could ensue	Increase in indirect operating costs
Technology	Use of renewable energy	Peer groups	Volatility in prices and the prevalence of renewable energy premiums in the renewable energy market signify that substantial procurement of renewable energy could lead to escalated expenditure costs, a diminution of competitive advantages for enterprises, or heightened indirect leasing expenses for tenants	Increase in short-term capital expenditure
Market	Pricing of products and services	Tenants/ Owners	Compared to conventional buildings, as the short-term investment in green energy and green building materials increases, the rental premium associated with green buildings may diminish tenant demand for SOHO China, resulting in decreased revenue for the Company	Decrease in revenue due to reduced demand for products and services
Reputation	Stakeholder requirements for climate risk disclosure	Regulatory authorities Investors or financial intermediaries	The amplified stringency of regulatory bodies and capital markets concerning corporate information transparency accentuates the significance of climate performance. Inadequate climate performance may inflict reputational harm, leading to diminished investor confidence in the Company's ability to recognize and address climate-related risks. This, in turn, may create financing hurdles and threaten business operations and revenue	- Decrease in financing channels - Increased credit risk

SOHO China Climate Transition Opportunity List

Climate Transition Opportunities		Potentially Affected Stakeholders	Potential Opportunity Impact Pathways	Potential Financial Impacts
Policy	Carbon market	Government and regulatory organizations	In the near to medium term, the Company aims to adhere to national policies and regulations, integrate into the carbon market independently, and engage actively in initiatives like the voluntary greenhouse gas emissions reduction trading program to facilitate the transfer of carbon quotas and generate revenue via carbon trading	Increase in non-operating income due to realization of carbon assets
	Green development and operation	Government Suppliers Tenants/ Owners	- Governments of Hainan and other regions offer preferential regulations like tax exemptions for the utilization of green building materials, potentially resulting in decreased prices for these materials from suppliers. In turn, this reduction may diminish the expenses for building renovation and decoration - Consistent with government policies regarding green building materials, properties with green attributes may command greater tenant interest in the subsequent leasing market, potentially leading to premium pricing - Aligning with the circular economy policy direction and implementing full material recycling during the renovation process may aid in lowering carbon emissions, thereby mitigating additional expenses resulting from over-emission	- Potential reduction in capital expenditure - Decrease in indirect operating costs - Revenue growth due to increased demand for products and services
	Green building certification	Government Tenants/ Owners	- Beijing and Shanghai have introduced targeted support and incentives for green buildings. Moreover, securing green building certification may lead to government subsidies and incentives - Properties with green building certification may attract more interest from tenants in the subsequent leasing market, potentially leading to increased premium rates	- Reduction in indirect operating costs due to lower energy and voluntary consumption - Increase in operating income due to more customers after green certification
	Green finance	Government Investment institutions	Responding to the government's appeal for financial backing for green leasing initiatives, implementing energy-efficient retrofitting in existing buildings will facilitate engagement with financial institutions backing green leasing development and broaden access to a diverse pool of funds	Increased access to finance or relatively lower financing rates
Technology	Energy saving and low-carbon transformation and digital energy management	Tenants/ Owners	- Innovating energy-saving and low-carbon retrofitting technologies and management tools to curtail energy consumption and emissions in buildings, enhance energy efficiency, and promote resource recycling is expected to drive down operational costs for both our Company and our tenants - Leveraging digital systems to monitor and control building energy usage is poised to significantly decrease the labor and time consumed in conventional management and explore potential measures for carbon reduction and energy conservation, ultimately leading to cost efficiencies	Decrease in operational and management costs
Reputation	Shift of tenant and partner preferences	Tenants/ Owners Partners	Measures such as green building certification and the delivery of green leasing services are expected to bolster SOHO China's brand and reputation in climate risk management, thereby drawing clientele and partners with preferences for low-carbon initiatives	Income growth due to increased demand for products and services

Transition Risk Scenario Analysis

To quantitatively assess the potential financial impacts of diverse carbon pricing policies, we analyze various scenarios, considering variations in carbon pricing across future climate scenarios, to identify and evaluate the potential impacts of adhering to local policy and regulatory trends.

The results reveal that

> At the enterprise level: By 2050, SOHO China's cumulative emission reduction under the low emissions scenario will be 2.94 million tonnes, with a cumulative cost of RMB1,299.91 million, 2.45% of the climate value at risk (CVaR)¹²; and under the medium emissions scenario the cumulative emission reduction would be 1.20 million tonnes, with a cumulative emission reduction costs of RMB385.33 million, 0.73% of the climate value at risk (CVaR). The emission reduction costs under both scenarios are mainly attributable to Scope 2 (50.41% of the total emission reduction costs under the low emissions scenario and 91.92% under the medium emissions scenario).

> At the asset level: analysis using examples such as Guanghualu SOHO II, Qianmen Avenue and Sky SOHO determined that the Company should initiate emission reduction measures as soon as possible to mitigate the risk of emission reduction and to capitalize on energy-saving opportunities.

> To address potential transition risks from 2032 onwards due to policy pressure, SOHO China initiates early energy-saving and emission reduction measures. Resources will be prioritized for carbon emission management in Scope 2, incorporating clean energy and energy efficiency actions to mitigate additional costs resulting from excessive emissions in the future.

Transition risk assessment at the enterprise level

To understand the financial risks associated with potential changes in carbon pricing and GHG emissions due to diverse policies and regulations, SOHO China scrutinized the typical Net Zero by 2050 Scenario (low emissions), Announced Pledges Scenario (medium emissions), and Current Policies Scenario (high emissions) from the World Energy Outlook 2022 by the IEA. The analysis also encompassed cumulative emission reductions, accumulated emission reduction costs, and climate value at risk (CVaR). The findings serve as a guide for resource allocation and decision-making concerning corporate regulatory adherence and planning for low-carbon transformation pathways in the short-to-medium term and long term.

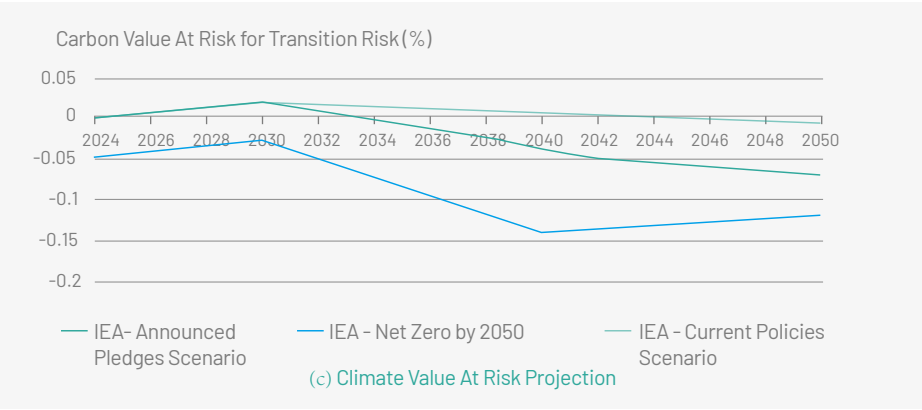
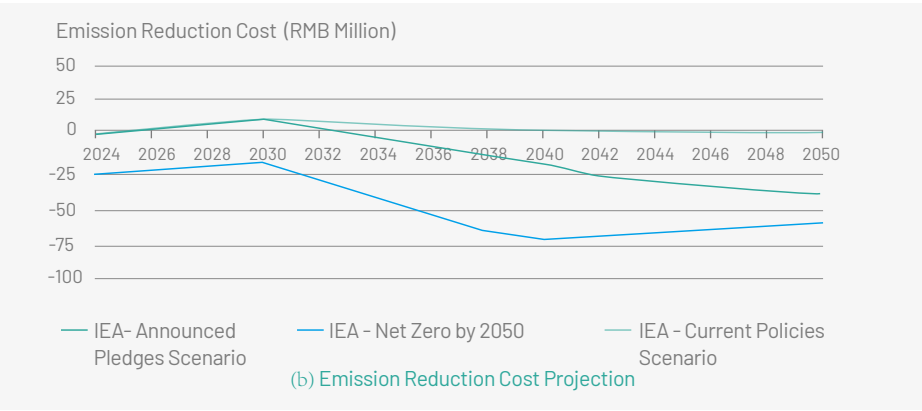
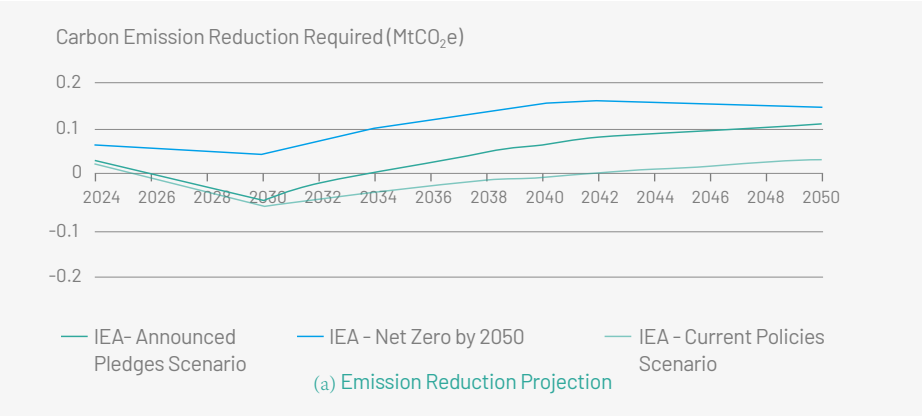
Results indicate that

Emission Reduction Projection: In the low emissions scenario, the Company's cumulative emission reductions by 2050 are 2.94 million tonnes. Under the medium emissions scenario, the Company is required to start additional emission reductions in 2033 on top of its existing reduction targets, with annual incremental reductions amounting to a cumulative reduction of 1.20 million tonnes by 2050.

Financial Implications of Transformation Risk: Under the low emissions scenario, the Company incurs annual abatement costs totaling RMB1,299.91 million through 2050, which represents a 2.45% value-at-risk. 50.41% of the abatement costs come from Scope 2, 48.35% from Scope 3 and only 1.24% from Scope 1. In the medium emissions scenario, the Company will face additional emission reduction costs in 2033, with a cumulative cost of RMB385.33 million by 2050 (Scope 2 accounts for 91.92%, Scope 3 accounts for 5.76%, and Scope 1 accounts for only 2.32%). Under the high emissions scenario, the Company will be under pressure to reduce emissions from 2042 onwards.

¹² CVaR measures carbon price-related costs as a percentage of current enterprise value over a specified period. The estimates from Mitech (<https://www.mitech.com/zh-CN>) assume that carbon emissions will change according to the Company's greenhouse gas emission reduction targets and thus are estimated based on this.

Impact Assessment of SOHO China's Enterprise-Level Transition Risk in 2021-2050 under Different Scenarios



Transition risk assessment at the asset level

In this section, the analysis focuses on three key assets of SOHO China to comprehend the potential financial impacts of transition risk on the self-owned project, the managed project, and the energy-saving renovation project. Such analyses provide a foundation for the Company's risk decision-making.

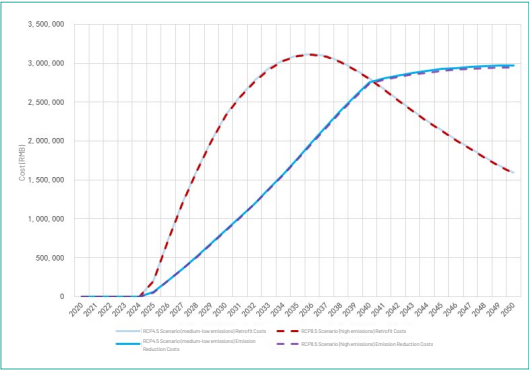
Results indicate that

Emission Reduction Projection: Due to the exposure to transition risk, the Sky SOHO project should commence low-carbon transition immediately by 2050, while the Guanghua-lu SOHO II project and Qianmen Avenue project should initiate climate transition work no later than 2025.

Indicators		Guanghua-lu SOHO II	Qianmen Avenue	Sky SOHO
Nature of Asset		Located in Beijing, it is a self-owned project and used as commercial and office buildings	Located in Beijing, it is a self-owned project and used as commercial building	Located in Shanghai, it is a project managed by SOHO China and used as commercial and office buildings
Medium-low emissions scenario	Emission reduction (million tonnes)	9.32	5.06	38,906.70 ¹⁵
	Cumulative emission reduction cost (RMB million)	32.55 (0.06% of enterprise value)	18.00 (0.03% of enterprise value)	145.88 (0.26% of enterprise value)
High emissions scenario	Emission reduction (million tonnes)	9.23	4.99	38,263.43
	Cumulative emission reduction cost (RMB million)	32.19 (0.06% of enterprise value)	17.86 (0.03% of enterprise value)	144.72 (0.26% of enterprise value)

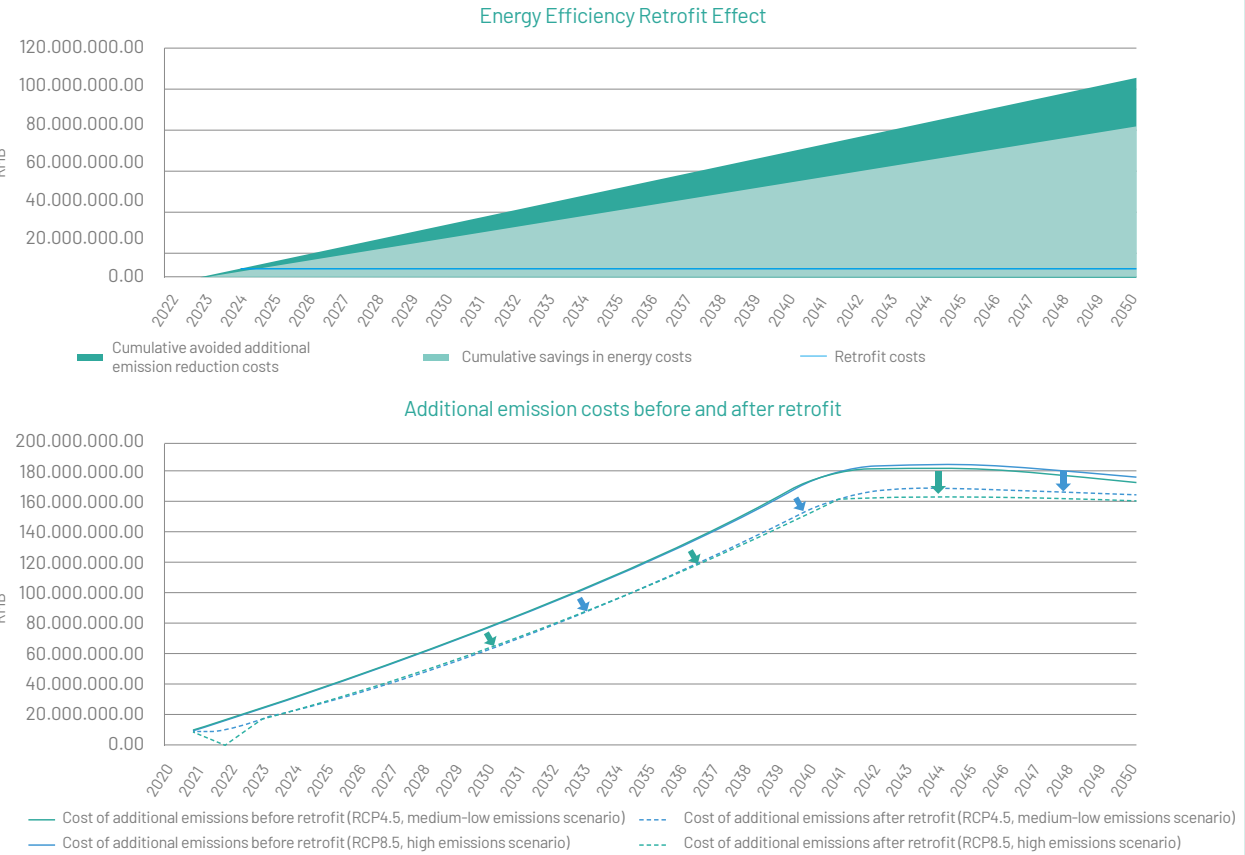
Emission Reduction Forecast and Cumulative Reduction Cost Forecast Without Low-Carbon Transformation

Retrofit Cost Forecast: Using the un-transformed Qianmen Avenue as an example to project the evolution of retrofit cost and emission reduction costs in future years, it is expected that the retrofit costs will increase annually until 2035, reaching its peak (RMB3.1 million); the capital invested in the retrofit will persist at a level lower than potential emission reduction costs after 2040, resulting in increasing annual avoidance of additional emission reduction costs.



Projection of Annual Inputs and Avoided Emission Reduction Costs for Energy Efficiency Retrofit of Qianmen Avenue during 2021-2050

Projection of Energy Efficiency Retrofit Benefit: Using the building integrated retrofit of the Sky SOHO as an example to analyze the impact of energy conservation and emission reduction, the projection indicates that by 2050, an average annual energy cost saving of approximately RMB2.28 million and cumulative savings of about RMB66.19 million can be achieved. Moreover, there will be an average annual avoided emission reduction cost of around RMB1.25 million, totaling RMB36.24 million cumulatively.

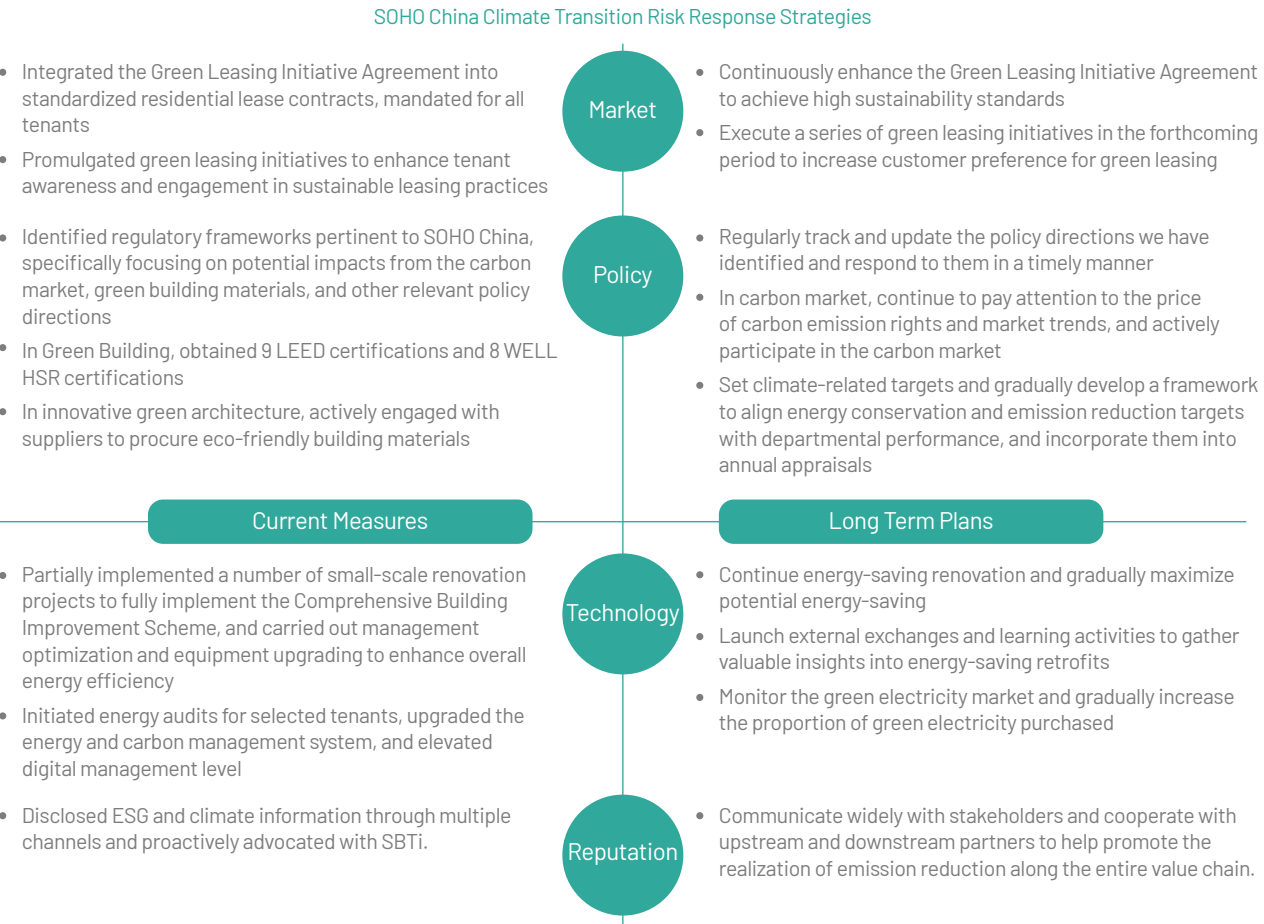


From 2021 to 2025, the Sky SOHO's energy efficiency retrofit effect and additional emission costs before and after retrofit.

¹⁵ The carbon intensity (i.e., carbon emissions per unit area) of Sky SOHO is high results in it requires substantial emission reductions from the base year onwards. The carbon intensity of the Qianmen avenue and Guanghua-lu SOHO II is low resulting the potential carbon gains from not emitting excessively in some of the years between the base year and 2050. Thus, Sky SOHO has higher emission reduction and costs under the same scenario. Under the high emissions scenario, the performance of different buildings in terms of emission reductions shows a similar trend.

Risk Response Measures

Summarizing the results of the Climate Transition Risks and Opportunities Checklist and the Transformation Risks and Opportunities Scenario Analysis, SOHO China, based on its actual operating activities, has adopted a targeted response strategy to the possible impacts of various types of transformation risks and opportunities and launched relevant practices and initiatives to prevent and control the risks, and to grasp the potential opportunities in a timely manner.



SOHO China's Climate Transition Risk Response Measure		
Category	Type	Risk Response Strategy Description
Policy	Carbon market	Policy tracking: We regularly track updates on the carbon market policies, including local carbon quotas and CCER trading rules, etc. Participation in the carbon market: We purchase a corresponding amount of carbon allowances or credits based on our own carbon emissions to meet market demand and comply with relevant regulations
	Carbon pricing	Linkage between carbon emission reduction and performance: We set climate-related targets, gradually develop a framework to integrate energy saving and emission reduction targets with departmental performance, and incorporate it into annual appraisals
Technology	Use of renewable energy	Purchase of carbon allowances or credits: We pay close attention to the changes in the green power market to minimize the premium that may be incurred by green power Green power purchase: We have started to purchase green electricity gradually in 2023, and will increase the proportion of green electricity purchases to minimize energy consumption and carbon emission costs in the future
Market	Pricing of product and service	Green leasing contracts: We have formulated the Green Leasing Initiative Agreement and the Green Leasing Guidelines to promote green leasing, with the former being formally incorporated into standard housing lease contracts signed by SOHO China's clients Green leasing publicity: In 2023, we launched a series of green leasing campaigns (such as the "Low Carbon Lifestyle" campaign) and set up a 400 hotline to address customers' inquiries on green renovation to support the effective implementation of green leasing
Reputation	Stakeholder requirements for climate risk disclosure	Climate information disclosure: We disclose ESG and climate information through multiple channels, including the Wechat accounts, ESG reports, climate action reports and SBTi commitment

SOHO China's Climate Transition Opportunity Response Measures		
Category	Type	Opportunity Response Strategy Description
Policy	Carbon Market	Policy tracking: We regularly track updates on the carbon market policies, including local carbon quotas and CCER trading rules, etc. Participation in the carbon market: We pay attention to the price and market trend of carbon emission rights and actively participate in the carbon market
	Green development and operation	Green purchasing: We publicly disclose SOHO China's Green Purchasing and Sustainable Supply Chain Management Policy and SOHO China's Green Leasing Policy and incorporate the use of low-emission materials and energy use into the criteria to assess suppliers Use of green building materials: We use environmentally friendly materials in the renovation and refurbishment process of deluxe properties and promote green renovation through publicity and promotional activities Use of recycled materials: We enhance resource recycling capability by using recycled materials in addition to environmentally friendly materials in the renovation and refurbishment process
	Green building certification	LEED certification: Since 2009, all projects developed by SOHO China have been designed and constructed in accordance with LEED standards. By the end of 2023, a total of 8 projects have been awarded LEED Gold certification and one project has been awarded LEED Silver certification, with an area of 2.18 million square meters being LEED certificated, accounting for 44% of the total area developed WELL certification: By 2023, a total of 8 projects, including Leeza SOHO and Wangjing SOHO, received the "WELL HSR Certification"
	Green finance	Policy tracking: We regularly track updates on green leasing and green finance policies and respond in a timely manner Green finance project development: We proactively pursue green finance projects to diversify financing channels
Technology	Energy saving and low carbon transformation and digital energy management	Energy audit: We have launched energy audits for Galaxy SOHO, Gubei SOHO, and Fuxing SOHO in 2023, providing complimentary energy audits to selected representative tenants Technological transformation: We have launched small-scale transformations such as the adoption of high-efficiency lighting equipment and the installation of intelligent control systems. In the future, we will focus on the upgrading of the cooling station group control and intelligent control system, the transformation of the cooling water system, etc. We will also upgrade our energy and carbon management platform, deploy the management functions of the micro-grid system, and tap into the energy-saving potentials of the buildings through digital means Comprehensive building renovation: We launched comprehensive building energy-saving renovation for several properties, including Sky SOHO, which achieved increase in comprehensive energy efficiency through intelligent adjustment, tenant room lighting, installation of photovoltaic systems, and refined operational management External exchanges and learning: We have conducted research and on-site exchanges with outstanding enterprises to understand and learn from the latest progress of energy-saving technological reforms in other businesses
Reputation	Shift of tenant and partner preferences	Climate change-related target setting: we actively engage in the SBTi initiative, formulate and disclose climate change-related target plans, and encourage partners to realize these plans through extensive communication Stakeholder communication: we incorporate tenants' and investors' demands into SOHO China's climate action plan and information disclosure to facilitate emissions reduction across the entire value chain

Climate Change Action Targets and Indicators

As the increasingly severe challenges of global climate change continue to unfold, industries both domestically and internationally are progressively accelerating their climate adaptation and mitigation efforts to prevent and safeguard against climate-related losses and damages. As a leading commercial real estate company, SOHO China clearly recognizes its position as an industry leader in carbon reduction. Not only, as a property operator, mitigate the direct climate impact of its own activities by adhering to stringent energy efficiency and carbon reduction standards, but it also collaborates with industry ecosystem participants as a property manager to steer the value chain toward a low-carbon transformation.

SOHO China diligently aligns with China's "Carbon Neutrality and Carbon Peaking" objective and actively embraces the nation's low-carbon development policies. Employing a systematic three-step approach encompassing "Carbon Emission Calculation", "Target Setting", and "Pathmapping", SOHO China has comprehensively mapped the carbon footprint of all group assets. Utilizing the Science Based Targets (SBT) methodology, the Company has earmarked 2030 as the short-to-medium-term milestone and positioned 2050 as the long-term trajectory, combining the analysis on the energy-saving and carbon reduction opportunities within buildings to drive the deployment of carbon-reduction measures, unwavering commitment to implementing low-carbon actions and demonstrating its dedication to addressing climate change.



Climate Commitments and Goals

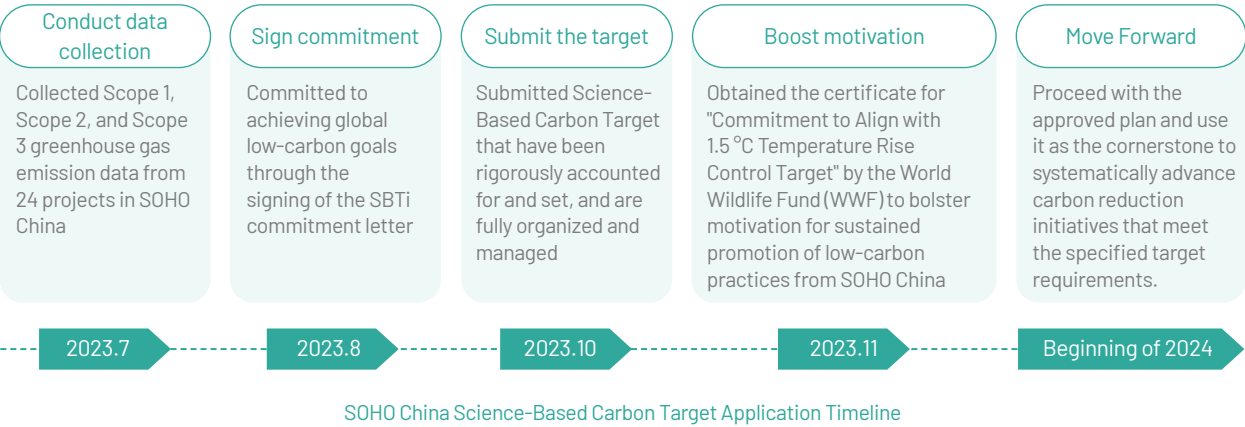
In response to the global call to move towards net zero, SOHO China has followed authoritative recommendations to set climate targets as the basis for corporate carbon reduction. The Company has also tracked environmental and climate development trends and the latest guidelines and standards, internalizing them as part of the Company's internal management DNA to review the comprehensiveness and effectiveness of its own environmental and climate targets. Based on the review, the Company is also constantly adjusting and refining the goals it has set in order to fulfill its environmental and social responsibility.

Science-based Carbon Target Setting

SOHO China has set and submitted a Science-Based Carbon Target (SBT) in 2023 in compliance with the Science-Based Targets initiative's (SBTi)¹⁴ Absolute-based Approach. The Company has also committed to a net zero target, namely a 42% reduction in absolute emissions of Scope 1, Scope 2 and Scope 3 (encompassing only Category 1 Outsourced Goods and Services, Category 11 Use of Sold Goods, and Category 13 Downstream Leased Assets) by 2030 compared to their GHG emissions in 2021, and an achievement of net-zero emissions in its value chain by 2050 - aligning with the Paris Agreement's emissions reduction target for the 1.5°C scenario. SOHO China is one of the real estate companies participating in the Science-Based Carbon Initiative and is dedicated to driving a low-carbon economy through its internal endeavors and by collaborating with value chain partners.

SOHO China Science-Based Carbon Target Setting Results

Category		Base year-2021 emissions (tCO ₂) ¹⁵	Target year-2030 emissions (tCO ₂) ¹⁶
Scope 1+2		98,717.05	57,255.88
Scope 1		2,072.88	/
Scope 2		96,644.17	/
Scope 3	Total	143,152.70	83,028.56
	Category 1 Outsourced goods and services	51,388.85	/
	Category 11 Use of sold products	61,410.71	/
	Category 13 Downstream leased assets	30,353.14	/



¹⁴ Science Based Targets initiative (SBTi) is a global effort by the Carbon Disclosure Project (CDP), the World Resources Institute (WRI), the World Wide Fund for Nature (WWF), and the United Nations Global Compact (UNGC). This initiative is anchored in the Paris Agreement's aim to establish greenhouse gas emission reduction targets in the context of limiting global temperature rise to 1.5°C or well below 2°C, fostering enterprises' competitive edge during the shift to a low-carbon economy, and defining and advancing science-based best practices for low-carbon pathways.

¹⁵ The target setting, which excludes Scope 1 and Scope 2 emissions from stationary generating units and Scope 3 emissions from sold dwellings, meets the boundary requirements of the Science Based Targets initiative's Near-Term Science-Based Carbon Targets. Specifically, these targets satisfy the boundary requirements by encompassing at least 95% of Scope 1 and Scope 2 emissions across the entire business, and at least 67% of Scope 3 emissions.

¹⁶ SOHO China has undertaken two years of greenhouse gas (GHG) emission accounting and reduction efforts since the base year 2021.

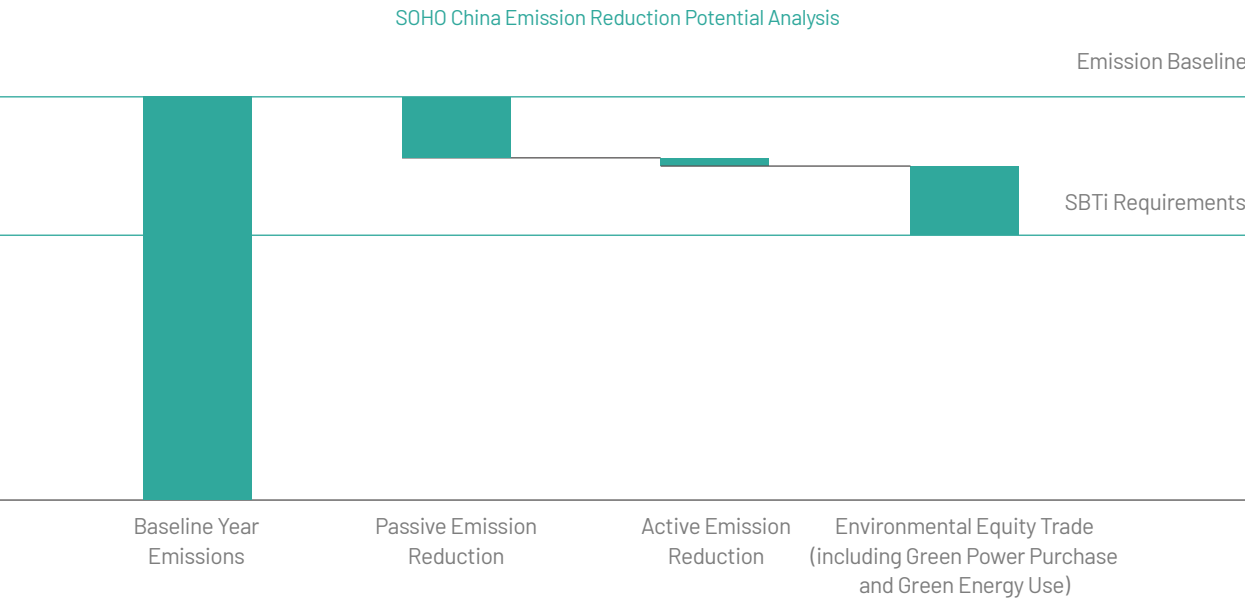
Carbon Reduction Indicator Setting

Using Science-based Carbon Targets (SBT) as a starting point, SOHO China develops a carbon reduction strategy that is tailored to the local conditions and the time, balancing key factors such as the economic development in the place where the project is located, the different characteristics of its holdings, and management projects. Guided by the principles of "equally prioritizing tenant services and operational carbon reduction" and "emphasizing voluntary reduction over carbon offsetting", SOHO China has custom-tailored carbon reduction targets in accordance with its own capabilities and conditions to maximize the benefits of carbon reduction.

Specifically concerning the Company's Scope 1+2 targets, SOHO China has formed a series of voluntary emission reduction plans, delving into the potential for voluntary emissions reduction in its various asset-holding and property management projects, including extensive analysis of its facilities, such as power transformation and distribution, power equipment, HVAC, and lighting, spearheading the gradual reduction of carbon emissions from these projects. Building upon this, SOHO China has also adopted green energy solutions, including procuring green power, obtaining domestic and international green certificates, and investing in photovoltaic industry funds as complementary measures to propel the attainment of carbon targets further. As for the Company's Scope 3 targets, SOHO China has combined prevalent industry practices with its capabilities, proposing solutions such as tenant energy greening through green power, refining tenants' green lease agreement management, strengthening harmonious carbon reduction endeavors between property managers and tenants, and building a green management system for the supply chain. That helps form carbon reduction indicators led by responsible procurement, carbon reduction policy, reduction of embodied carbon, green leasing and tenant incentives to achieve carbon reduction throughout the value chain. SOHO China is committed to the ongoing enhancement of its competence under each carbon reduction target and to monitoring and assessing the efficacy of carbon reduction initiatives to guarantee their practicality and effectiveness.



In alignment with the comprehensive emissions reduction strategies, SOHO China has designated 2021 as the base year (with a target range of 241,869.75 tonnes¹⁷ of emissions) in the officially submitted targets. Adhering rigorously to the stipulations of these science-based carbon targets and with a pivotal focus on effective carbon reduction benchmarks, the Company has devised a roadmap for carbon reduction along with contribution maps outlining diverse emission abatement measures through to 2030. These clear and assertive documents delineate SOHO China's transformation efforts over the first decade of its stride toward achieving carbon neutrality.



¹⁷ The result is derived from SOHO China's carbon inventory and presented to SBTi for the validation of the science-based carbon targets

Case: Galaxy SOHO Energy-saving and Low-carbon Transformation in Response to Climate Targets

Galaxy SOHO initiates the assessment process by referencing the structural characteristics of energy use in the industry. By integrating the results of the carbon inventory, the Company methodically identifies the sources of high energy consumption and carbon emissions. Trained professionals then conduct comprehensive on-site inspections and empirical judgement to pinpoint potential issues and hazard areas related to each energy and carbon focal point. Drawing from authoritative sources such as the "Catalogue of Mainly Promoted Low Carbon Technologies", SOHO China diligently selects viable and reliable engineering solutions for Galaxy SOHO. This process culminates in the formulation of a specialized optimization scheme targeting potential risks. For instance, instances of voltage irregularities in high- and low-voltage distribution facilities prompt immediate corrective actions to maintain voltage output within safe parameters. Furthermore, capacitor compensation cabinets are promptly installed to optimize the performance of the power transformation and distribution system, thereby diminishing transformer energy losses. Subsequently, through installing electricity energy consumption savings and corresponding carbon emission reductions that capacity compensation can produce to quantifying the energy saving and carbon reduction and economic benefits of each project measure. By consolidating the quantified results of each project's performance metrics, the overall carbon reduction benefits from voluntary emission reductions by reducing the quantified results of each project's performance metrics are realized. This analysis is then juxtaposed against the total emission reduction criteria stipulated by the carbon targets to gauge the disparities.

Progress on Climate Change Action

With the science-based carbon target at its core and a robust and efficacious carbon reduction strategy as its guiding, SOHO China has implemented comprehensive climate change action initiatives. These include diverse energy-saving and efficiency measures, establishing digital platforms, and disseminating external communications promoting climate benefits. These actions mitigate internal and external climate impacts and foster environmentally friendly development.

Digital Transformation Initiative

SOHO China acknowledges the imperative role of digital solutions in advancing low-carbon initiatives. The Company has spearheaded the implementation of digital transformation and establishing a comprehensive digital energy and carbon management platform to bolster the Company's carbon reduction endeavors. The digital platforms include the energy management platform, zero carbon operation platform, equipment and facility management platform, and customer tariff management platform. These platforms are universally applicable across the Company. They can be tailored to support various projects, with seamless operation across diverse interfaces such as mobile and computer, optimizing usability and maximizing effectiveness. The platforms facilitate real-time energy consumption data collection, perform rigorous data analysis and validation, and automatically generate project-specific energy consumption analysis reports to monitor energy usage patterns.

To enhance the platform's efficacy, SOHO China has engaged external energy-saving service consultants every year to conduct comprehensive energy-saving analyses, explore the potential for in-depth energy savings, and craft and implement viable energy-saving strategies. The Company also conducts regular energy-saving meetings and collaborates with project engineering department managers and relevant professionals to achieve efficient operations and maximize energy-saving outcomes by combining internal and external expertise.

Carbon Market Response Actions

SOHO China remains steadfast in its commitment to heed the government's call for the execution and rollout of carbon peaking and carbon neutrality initiatives. The Company actively engages in developing and advancing the national carbon market while enhancing its own comprehensive carbon management practices across the entire operational spectrum, encompassing carbon accounting, compliance, and trading.

Furthermore, to adhere to the *Notice on Launching Emission Right Trading Pilot* issued by the State and the specific directives for the emission right trading pilot in Beijing, SOHO China has engaged a third-party organization to conduct an emission verification for the 15 assets under its management that are included in Beijing's carbon market in 2022. This verification aims to ensure the reliability and quality of the data used to fulfill carbon quota requirements. Following confirmation of the emissions and quota status, SOHO China diligently oversaw the compliance and payment procedures, culminating in submitting the compliance and payment application in September 2023 which a testament to the accountability of its key units. Regarding surplus carbon quota, the Company actively participated in CCER, a voluntary trade for reduced greenhouse gas emissions. It transferred those quotas to enterprises facing shortages, generating additional revenue for the Company while contributing to the collective regional emissions control objective.

Looking ahead, SOHO China will fully comply with the compliance mechanisms of both national and local carbon markets. The Company will continue to ensure the high-quality execution of carbon emission rights-related tasks in the upcoming years to guarantee timely compliance by all key discharging units. Additionally, SOHO China will leverage the carbon market compliance mechanism to foster a transition in management practices from "dual control of energy consumption" to "dual control of carbon emissions" within the enterprise. This move will facilitate the implementation of additional energy-saving and carbon reduction measures, advancing the realization of the national goal of carbon peaking and carbon neutrality.

Environmental Improvement Action

SOHO China has consistently upheld the principle of sustainable development to provide healthy and environmentally friendly spaces for its employees, clients, and stakeholders. The Company has taken methodical steps to bolster the green performance of commercial office spaces through enhanced management, operational practices, and maintenance while actively exploring green transformation models for commercial properties.

Improvements in Energy Performance

Regarding climate action, SOHO China's foremost priority is to actualize the concept of "green and low-carbon". In 2023, SOHO China heeded the nation's call to develop renewable energy vigorously. It substantially enhanced the utilization of renewable energy in its day-to-day operations, procuring and using a total of 2.3 million kWh of green electricity throughout the year. As carbon targets' elucidation and decarbonization pathways become more defined, SOHO China plans to augment the proportion of green power usage further and significantly expand the use of zero-carbon power sources.

Furthermore, SOHO China has been unwavering in energy-saving and efficiency enhancement technologies, securing a prominent position as an energy-saving pioneer within the real estate industry. The Company continually refines its *Energy Saving and Carbon Reduction Management System*, strictly adhering to 'its stipulations. Each year, SOHO China sets energy-saving and carbon reduction targets per the latest standards, breaking down annual energy-saving objectives across various projects, departments, and personnel. The Company also conducts energy statistics and self-assessment

exercises, and diligently evaluates the implementation of energy saving targets every month for each project. SOHO China continuously adopts energy-saving and carbon reduction optimization measures to eliminate energy-saving loopholes.

SOHO China implements various energy-saving measures for individual projects based on project-specific attributes, feasibility, practicality, and effectiveness considerations. For instance, the Company has initiated energy-saving operational overhauls at the Sanlitun SOHO cooling station by deploying cooling station group control systems and intelligent control systems. Additionally, improve comprehensive energy-saving at Sky SOHO. The plans for renovating the 24-hour cooling water system will be available at Wangjing SOHO (the upcoming refurbishment efforts including applying a control strategy to the cooling tower fan, configuring hydraulic pressure stabilizers and variable-flow nozzles, carrying out energy-efficiency control of the primary or secondary pumps and installing pressure sensors in the pipelines). Moreover, SOHO China is poised to execute the pilot retrofit of radar lights in the Chaowai SOHO garage.

Enhancement in Resource Utilization

For water resource management, the Company has implemented the Water Conservation Management System, conducted water balance tests, and encouraged projects to achieve sustainable water utilization through lean management and exploring innovative water conservation technologies, such as using recycled rainwater and mid-water. In particular, the property has adopted efficient irrigation techniques using collected rainwater or recycled water from the site, which reduces freshwater consumption by 50% compared with conventional methods. SOHO Tianshan Plaza project applied the system successfully.

Regarding solid waste management, the Company has established the Waste Management System to foster the principles of "Reduce, Reuse, and Harmless". In addition to standardizing the entire waste management process, including placement, collection, transportation, sorting, temporary storage, and removal, the Company has implemented a waste data management system and collaborated with waste transportation providers to consistently monitor waste management performance.

Case: Sky SOHO Comprehensive Energy-saving Transformation Project Upgrades Building Green Performance

The Sky SOHO Project adopts meticulous initiatives encompassing intelligent adaptation, lighting upgrades, renewable energy installations, and enhanced operation and maintenance management. These measures enable the integration of green, low-carbon, and healthy development principles into the building's operational life cycle, resulting in improved energy efficiency and well-being. The intelligent adaptation components involve the installation of a smart group control system in the cooling station; inverters for ventilators and air conditioners; cooling tower fan inverters; optimization of roof hood operation; and lighting upgrades entail completely replacing tenants' indoor LED lights, approximately 10,000 lights. Additionally, renewable energy installations incorporate photovoltaic equipment and power generation and storage systems of over 222.4 kW on 4,000 square meters of roof. Each retrofit contributes to individual energy savings of up to 50%, culminating in an aggregate energy saving rate exceeding 10% and a yearly energy saving cost of approximately RMB2.3 million. This remarkable initiative reaps dual benefits for SOHO China, aligning with climate action and economic objectives while affirmatively impacting customer experience with an enhanced, sustainable building environment.

Cooperative Action on Low Carbon Benefits

SOHO China advocates a holistic approach to low-carbon development, recognizing its significance within and beyond the organization. Over the years, SOHO China has spearheaded organizing and coordinating public welfare initiatives centered around ESG, carbon neutrality, climate change, and sustainable development. The Company is committed to disseminating the ethos of low-carbon living and sustainability, aiming to foster greater awareness and active engagement among the broader public.

WWF Earth Hour Initiative

From 2021 to 2023, Leeza SOHO, Beijing, has launched the WWF Earth Hour initiative for three consecutive years. This initiative involves signing an environmental agreement with tenants to power down the building's night lighting and floodlighting for one hour, demonstrating the commitment to building a sustainable office environment and contributing significantly to environmental conservation and public welfare efforts.



SOHO China has launched the Earth Hour initiative for three consecutive years

"Low-Carbon Lifestyle" ESG event

In 2023, SOHO China organized the "Low-Carbon Lifestyle" ESG event, which took place at Wangjing SOHO in Beijing and SOHO Fuxing Plaza in Shanghai. The immersive event featured diverse, engaging sessions, including a creative environmental exhibition, an ESG knowledge quiz, a green lease quiz, and an office garbage recycling event. The event attracted the participation of over 30 volunteers in the event organization and focused on guiding tenants to embrace a low-carbon lifestyle.



Site of "Low-Carbon Lifestyle" ESG event

Green Supply Chain

SOHO China focuses on promoting and implementing green practices across its entire value chain, including actively enhancing supplier ESG management, encouraging low-carbon practices, and fostering integrated capacity enhancement for sustainable development. These efforts form the groundwork for achieving comprehensive emission reduction throughout the value chain. Furthermore, SOHO China conducts sustainability-themed training for suppliers, covering a wide range of topics from global trends in ESG development and low-carbon initiatives to addressing SOHO China's own ESG challenges, responses, and prospects. Additionally, SOHO China has allocated greater focus to the management of green procurement. In 2023, 362 suppliers, accounting for two-thirds of the suppliers, participated in these training sessions, demonstrating SOHO China's commitment to driving the entire value chain towards sustainable practices.



Promotion and Practice Green Leasing Concept

Each customer leasing space in SOHO China buildings receives a Green Leasing Guidelines manual, which provides detailed strategic advice ranging from green decoration, green office, and environmental management to help them transition to a healthier and more environmentally friendly way of working. In 2023, we distributed 257 manuals. Meanwhile, SOHO China was actively engaging in ESG advertising through building screens in seven core projects in Beijing and Shanghai, aiming to raise awareness and understanding of green leasing. Public service advertisements aired over 7,000 times, and people viewed science-based education materials more than 3,200 times.



In efforts to deeply embed the green leasing concept, SOHO China took steps in October 2023 to elevate the terms of green leasing contracts from merely emphasizing energy saving and carbon reduction concepts (Light Green) to actively incorporating practical sustainability actions (Dark Green). At the end of 2022, SOHO China also introduced green leasing clauses into standard contracts, defining both parties' environmental duties and objectives. In 2023, SOHO China encourages more customers to participate in building green communities and jointly define and fulfill environmental responsibilities. In 2023, 100% of new tenants signed 601 green lease agreements, indicating substantial growth compared to the 46 companies in 2022 and underscoring SOHO China's ongoing advancements toward green development.

Climate Risk Prevention Actions

SOHO China comprehensively acknowledges the physical climate risks from extreme weather conditions globally. Our operations prioritize monitoring extreme weather advisories and equipping our projects and surrounding communities with protective facilities to ensure the security of buildings, customers, and the local populace. In 2023, faced with heavy rain and flooding in Beijing, the Galaxy SOHO and other projects in Beijing set up a specialized wind and flood control team. They activated an emergency plan to organize and implement preemptive and timely contingency measures, effectively preventing risks before extreme weather events and dealing with risks after extreme weather events. In addition, SOHO China's projects in Shanghai and Hainan have formulated strategies to cope with local weather conditions (e.g., high incidence of typhoons) to avoid or mitigate asset value losses caused by weather-related catastrophic events.



Wangjing SOHO initiated a comprehensive inspection of flood control



Galaxy SOHO implemented flood control measures



Wangjing SOHO coordinated comprehensive "Month of Workplace Safety" and "Fire Evacuation Training" for building customers

Outlook

With the "fossil fuel era" drawing close, mounting global pressure exists to address climate change. As a significant player in urban initiatives, we must collaborate with others. Looking ahead, SOHO China is committed to actively integrating into and contributing to the global sustainable development landscape. We will cooperate with multiple stakeholders equitably, inclusively, and collectively to pursue a brighter future for humanity.



	Key actions in 2023	Operational Focus in 2024
Governance	- Establishing a robust climate governance framework, enhancing the Board of Directors' involvement in climate strategy, operations, and management, and clearly defining the responsibilities and roles of governance and executive management - Renaming the Environment Team to the Environment and Climate Team and reinforcing the oversight, inspection, and execution of climate initiatives; setting up a risk management team to bolster climate risk assessment and preparedness capabilities	- The Board of Directors and ESG committee diligently oversee and address the analysis outcomes of climate-related matters, prompt assessment and management of climate-related risks and opportunities, and provide ongoing support for climate information disclosure - Continuously enhancing management and incentive evaluation processes, refining performance assessments that align with ESG, and integrating ESG concepts and climate-related indicators, organically embedding climate initiatives into Company operations
Strategy	- Integrating climate-related concerns and advancements into employee ESG training programs - Adhering to the concept of comprehensive development in its operations, emphasizing three management approaches: "planning our lowcarbon path", "establishing a sustainable model for commercial real estate" and "leading a green and low-carbon lifestyle". This involves collaboration with customers, value chain partners, and communities to facilitate low-carbon transition, bolstering efforts to shift leasing practices from Green Action to Greener Action and exploring zero-carbon building management	- Prioritizing enhancing employee capacity to address climate change, and consistently communicating measures and plans for addressing transition and physical risks - Improving the transparency of climate and other ESG information and the effectiveness of stakeholder and public communication. The TCFD report, ESG report, and official website will demonstrate the Company's recent progress in digital transformation, carbon market engagement, environmental efficiency enhancements, low-carbon collaboration, and climate risk mitigation. Actively seeking external feedback to drive continuous improvement and underscore the Company's resolve and dedication to fulfilling its responsibilities
Risk Management	- Aligning with the COSO enterprise risk management framework recommendations to enhance the iterative management loop for climate risk, including "risk identification - risk impact assessment - risk scenario annalysis - risk response" - Conducting in-depth quantitative evaluations to assess the potential impact of climate risks on the Company and its value chain, while delineating the interconnections and trends between business operations and climate-related issues - Developing strategic response plans to enhance the Company's climate resilience management. Regarding physical risks, the focus is on "improvement of risk management capabilities - improvement of risk monitoring capabilities - improvement of risk handling capabilities". In addressing transition risks, collaborative efforts with stakeholders such as customers, suppliers, and advocacy organizations target market, policy, technology, and reputation risks	- Integrating crucial climate risk considerations into the daily operations and core processes of the Environment and Climate Team and Risk Management Team - Persistently leveraging the preparation of climate action reports as an opportunity to dynamically assess and monitor the impact of climate risks, proactively seizing market opportunities in carbon markets, green buildings, and low-carbon technology, actively mitigating the impact of chronic and acute climate disasters on business operations, and gaining a first-mover advantage through early response. This will include enhancing the stability of leasing services and developing climate adaptation action plans for commercial leasing enterprises to provide a reference for bolstering resilience in addressing climate crises
Indicators and Targets	Officially submitting a commitment letter and emission reduction target to the Science-based Carbon Target Initiative, pledging to achieve a 42% reduction in absolute emissions across Scope 1, Scope 2, and Scope 3 within the most pertinent value chain of the business by 2030, as compared to 2021	To methodically study the energy consumption and greenhouse gas emissions of the cooling systems, heating systems, lighting systems, and elevator systems, among others, across all owned and managed assets. Additionally, to meticulously outline emission reduction pathways for each property to advance the Company's dedication to sustainability

About this Report

Report Overview

SOHO China readily presents its inaugural Climate Action Report (the "Report") to provide an objective and comprehensive disclosure of the Company's vision, strategies, and practices in climate change action to enhance stakeholder understanding, confidence, and motivation to improve climate change resilience and sustainability performance continuously.

Report Scope

The Report pertains to SOHO China Limited and its 24 property management projects, covering 1 January 2023 to 31 December 2023. For improved comparability and forward-looking analysis, relevant content has been extended to incorporate data from prior and subsequent years.

Standard References

The Report adheres to the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) and the IFRS S2 Climate-related Disclosures.

Source of Information

The Report's information derives from circulars, official documents, and statistical reports of SOHO China and its 24 property management projects, the report considers the Company's developmental focus, climate change-related guidelines, standards, and stakeholders' concerns.

Forward-Looking Statements

Beyond historical facts, the Report includes forward-looking statements related to anticipated future events and aspects such as assumptions, prerequisites, greenhouse gas emission targets, climate change risk assessment levels, financial estimates for energy conservation, emission reduction measures, and strategies to mitigate climate change risks. Given the impact of external variables, the actual future outcomes or trends of the events outlined in the Report may deviate from the projections presented in the Report. SOHO China will make the forward-looking statements before 31 January 2024, and holds no obligation or responsibility to revise the aforementioned forward-looking statements.

Terminology Clarification

For ease of presentation, "SOHO China", "the Company", and "we" in the Report interchangeably refer to "SOHO China Limited."

Report Access

The Report is accessible in both traditional Chinese and English and can be downloaded from the SOHO China ESG website (<https://esg.sohochina.com/>) and the website of The Stock Exchange of Hong Kong Limited (www.hkexnews.hk).

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TCFD Recommended Disclosure Indicators		Location	Page
Governance	Describe the board's oversight of climate-related risks and opportunities.	Governance Structure and Mechanism	P15-16
	Describe management's role in assessing and managing climate-related risks and opportunities.	Governance Structure and Mechanism	P16-17
Strategy	Describe the climate-related risks and opportunities the Company has identified over the short, medium, and long term.	Risk Management in Climate Change Action	P25-26
	Describe the impact of climate-related risks and opportunities on the Company's businesses, strategy, and financial planning.	Physical Risk Transition Risk	P29-30, P42-43
	Describe the resilience of the Company's strategy, considering different climate-related scenarios, including a 2°C or lower scenario.	Physical Risk Transition Risk	P31-35, P44-46
Risk Management	Describe the Company's processes for identifying and assessing climate-related risks.	Climate Risk Management	P19-20
	Describe the Company's processes for managing climate-related risks.	Climate Risk Management Physical Risk Transition Risk	P20, P35-37, P47-48
	Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the Company's overall risk management.	Climate Risk Management	P19-20
Metrics and Targets	Disclose the metrics used by the Company to assess climate-related risks and opportunities in line with its strategy and risk management process.	Physical Risk Transition Risk	P32-35, P45-46
	Disclose Scope 1, Scope 2, and, if appropriate, Scope 3 greenhouse gas (GHG) emissions, and the related risks.	Climate Commitments and Goals	P51
	Describe the targets used by the Company to manage climate-related risks and opportunities and performance against targets.	Climate Commitments and Goals Progress on Climate Change Action	P51-60

IFRS S2 Recommended Disclosure Indicators		Location	Page
Governance	Disclose the governance body(s)(which can include a board, committee or equivalent body charged with governance) or individual(s) responsible for oversight of climate-related risks and opportunities.	Governance Structure and Mechanism	P15-16
	Disclose management's role in the governance processes, controls and procedures used to monitor, manage and oversee climate-related risks and opportunities.	Governance Structure and Mechanism	P16-17
Strategy	Disclose the climate-related risks and opportunities that could reasonably be expected to affect the entity's prospects.	Risk Management in Climate Change Action	P25-26
	Disclose the current and anticipated effects of those climate-related risks and opportunities on the entity's business model and value chain.	Enhancing Climate Change Action Through Firm Values Physical Risk Transition Risk	P23, P29-30, P42-43
	Disclose the effects of those climate-related risks and opportunities on the entity's strategy and decision-making, including information about its climate-related transition plan.	Strategic Blueprint for Climate Change Action Physical Risk Transition Risk	P21-24, P29-30, P42-43
	Disclose the effects of those climate-related risks and opportunities on the entity's financial position, financial performance and cash flows for the reporting period, and their anticipated effects on the entity's financial position, financial performance and cash flows over the short, medium and long term, taking into consideration how those climate-related risks and opportunities have been factored into the entity's financial planning.	Physical Risk Transition Risk	P33-35, P44-46
	Disclose the climate resilience of the entity's strategy and its business model to climate-related changes, developments and uncertainties, taking into consideration the entity's identified climate-related risks and opportunities.	Physical Risk Transition Risk	P29-30, P35-37, P42-43, P47-48
Risk Management	Disclose the processes and related policies the entity uses to identify, assess, prioritise and monitor climate-related risks.	Climate Risk Management	P19-20
	Disclose the processes the entity uses to identify, assess, prioritise and monitor climate-related opportunities, including information about whether and how the entity uses climate-related scenario analysis to inform its identification of climate-related opportunities.	Climate Risk Management Physical Risk Transition Risk	P20, P31-P35, P44-P46
	Disclose the extent to which, and how, the processes for identifying, assessing, prioritising and monitoring climate-related risks and opportunities are integrated into and inform the entity's overall risk management process.	Management Measures on Tackling Climate Change Climate Risk Management	P18-20
Indicators and Targets	Disclose information relevant to the cross-industry metric categories.	Climate Commitments and Goals Physical Risk Transition Risk	P33-35, P45-46, P51-53
	Disclose industry-based metrics that are associated with particular business models, activities or other common features that characterise participation in an industry.	Climate Commitments and Goals	P52
	Disclose targets set by the entity, and any targets it is required to meet by law or regulation, to mitigate or adapt to climate-related risks or take advantage of climate-related opportunities, including metrics used by the governance body or management to measure progress towards these targets.	Climate Commitments and Goals Progress on Climate Change Action	P51-60



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